

**SHELBY  
PUBLIC  
SCHOOLS**

**FINANCIAL  
STATEMENTS**

**JUNE 30, 2008**

**KARL L. DRAKE  
CERTIFIED PUBLIC ACCOUNTANT**

# SHELBY PUBLIC SCHOOLS

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## LIST OF PRINCIPAL INDIVIDUALS

JUNE 30, 2008

### Board of Education

|                         |                |
|-------------------------|----------------|
| Doug Fris               | President      |
| Craig Sawyer            | Vice President |
| Jeremy Horton           | Secretary      |
| Leon Kay                | Treasurer      |
| Dave Beckman            | Board Member   |
| Steven Vinke            | Board Member   |
| Julie Springstead-Waltz | Board Member   |

### Management

|                      |                  |
|----------------------|------------------|
| Dana McGrew          | Superintendent   |
| Laura Jacobs         | Business Manager |
| Karl L. Drake, PC    | Auditor          |
| Thrun Law Firm, P.C. | Attorney         |

# SHELBY PUBLIC SCHOOLS

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shelby Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 30-32 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education  
Shelby Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby Public School's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.  
Certified Public Accountant

September 24, 2008

This section of Shelby Public Schools' annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2008. It is best read in conjunction with the School District's financial statements, which immediately follow this section.

### Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shelby Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund and Food Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

*District-wide Financial Statements*

*Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Food Service Fund  
(Required Supplemental Information)

Other Supplemental Information

Federal Financial Assistance

### Reporting The School District As A Whole – District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, childcare, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### **Reporting The School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflow and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

### Reporting The School District's Fiduciary Responsibilities – The School District As Trustee

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The School District As A Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 as compared to June 30, 2007:

| <b>TABLE 1</b>   | Governmental<br>Activities |               |
|--|----------------------------|---------------|
|  | (In Millions)              |               |
|  | 2008                       | 2007          |
| <b>ASSETS</b>  |                            |               |
| Current and other assets                                 | \$ 5.5                     | \$ 5.4        |
| Capital assets - Net of accumulated depreciation         | 16.5                       | 17.0          |
| <b>TOTAL ASSETS</b>                                      | <b>22.0</b>                | <b>22.4</b>   |
| <b>LIABILITIES</b>                                       |                            |               |
| Current liabilities                                      | 2.3                        | 2.4           |
| Long-term liabilities                                    | 12.9                       | 13.5          |
| <b>TOTAL LIABILITIES</b>                                 | <b>15.2</b>                | <b>15.9</b>   |
| <b>NET ASSETS</b>  |                            |               |
| Invested in property and equipment - Net of related debt | 6.5                        | 6.4           |
| Restricted   | 1.0                        | 0.8           |
| Unrestricted   | -0.7                       | -0.7          |
| <b>TOTAL NET ASSETS</b>                                  | <b>\$ 6.8</b>              | <b>\$ 6.5</b> |

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$6.8 million at June 30, 2008. Capital assets, net of related debt totaling \$6.5 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$-0.7 million) was unrestricted.

The \$-0.7 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

| <b>TABLE 2</b>             | Governmental<br>Activities<br>(In Millions) |                |
|----------------------------|---|----------------|
|                            | 2008  | 2007           |
| <b>REVENUE</b>             |   |                |
| Program Revenue            |   |                |
| Charges for services       | \$ 0.2                                      | \$ 0.3         |
| Grants and categoricals    | 3.6   | 3.4            |
| General Revenue            |   |                |
| Property taxes             | 3.7   | 4.0            |
| State foundation allowance | 10.0  | 10.3           |
| Other                      | 0.2   | 0.2            |
| <b>TOTAL REVENUE</b>       | <b>\$ 17.7</b>                              | <b>\$ 18.2</b> |

# SHELBY PUBLIC SCHOOLS

## Management's Discussion and Analysis

| <b>FUNCTION/PROGRAM EXPENSES</b>       | 2008<br>(In Millions) | 2007<br>(In Millions) |
|--|-----------------------|-----------------------|
| Instruction                            | \$ 10.0               | \$ 10.0               |
| Support Services                       | 4.6                   | 4.9                   |
| Food Services                          | 0.6                   | 0.6                   |
| Athletics                              | 0.4                   | 0.4                   |
| Community Services                     | 0.7                   | 0.5                   |
| Interest on long-term debt             | 0.5                   | 0.5                   |
| Depreciation (unallocated)             | 0.6                   | 0.6                   |
| <b>TOTAL FUNCTION/PROGRAM EXPENSES</b> | <b>17.4</b>           | <b>17.5</b>           |
| <b>INCREASE IN NET ASSETS</b>          | <b>\$ 0.3</b>         | <b>\$ 0.7</b>         |

As reported in the statement of activities, the cost of all of the governmental activities this year was \$17.4 million. Certain activities were partially funded from those who benefited from the programs (\$0.2 million) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$3.6 million). The remaining “public benefit” portion of the governmental activities was paid with \$3.7 million in taxes, \$10.0 million in State Foundation Allowance, and with other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$0.3 million. The key reason for the increase in net assets was controlling expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District’s taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

### The School District’s Funds

As noted earlier, the School District uses funds to help it manage and control money for certain purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District’s overall financial health.

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As the School District completed this year, the governmental funds reported a combined fund balance of \$3.9 million, which is an increase of \$0.1 million from last year. The primary reason for the increase was controlling expenditures. The General Fund, the principal operating fund, saw the fund balance decrease \$54,279 to \$2,821,031, which is less than the budgeted decrease of \$572,019.

- The Special Revenue Funds remained stable from the prior year, showing a net decrease of approximately \$14,757.
- Combined, the Debt Service Funds showed a fund balance increase of approximately \$231,703. Debt Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

### **General Fund Budgetary Highlights**

Each month as necessary, the School District amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund budget were as follows:

- Budgeted revenue was increased by \$837,306 due mainly to increased State Aid in section 22B Discretionary Payments.
- Budgeted expenditures increased by \$935,174 to cover increased costs of: special education, adult education, fuel for buses, water and utilities, daycare, welfare activities and other community services.

### Capital Asset And Debt Administration

#### Capital Asset

At June 30, 2008, the School District had \$16.5 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$534,469 or 3 percent, from last year.

|                               | <u>2008</u>          | <u>2007</u>          |
|-------------------------------|----------------------|----------------------|
| Land                          | \$ 231,991           | \$ 231,991           |
| Buildings                     | 21,789,056           | 21,789,056           |
| Buses and Other Vehicles      | 1,245,812            | 1,183,812            |
| Furniture and Equipment       | <u>2,673,877</u>     | <u>2,659,699</u>     |
| Total Capital Assets          | <u>25,940,736</u>    | <u>25,864,558</u>    |
| Less Accumulated Depreciation | <u>-9,457,360</u>    | <u>8,846,713</u>     |
| Net Capital Assets            | <u>\$ 16,483,376</u> | <u>\$ 17,017,845</u> |

The additions this year include new locks for all locker rooms in the middle school and high school, a new floor scrubbing unit, one new bus radio and antenna, one used bus, a computer server to use for food service, and six computers for Thomas Read's bilingual room. No debt was issued for these additions.

#### Debt

At the end of this year, the School District had \$9.9 million in bonds outstanding versus \$10.6 million in the previous year - a decrease of 6 percent. Those bonds consisted of the following:

|                          | <u>2008</u>  | <u>2007</u>   |
|--------------------------|--------------|---------------|
| General Obligation Bonds | \$ 9,906,134 | \$ 10,571,134 |

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$9.9 million is significantly below the statutorily imposed limit.

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Other obligations include employee-compensated absences and severance pay. More detailed information about long-term liabilities is presented in the notes to the financial statements.

### **Economic Factors And Next Year's Budgets And Rates**

The elected officials and administration considered many factors when setting the School District's 2008-09 fiscal year budget. Two of the most important factors affecting the budget are student count and declining fund balance. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-09 fiscal year is 25 percent of the February 2008 student count and 75 percent of the September 2008 student count. The 2008-09 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Shelby Public Schools is a declining enrollment district.

Based on early enrollment data at the start of the 2008-2009 school year, a significant decrease is anticipated in the fall 2008 student count. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Insurance rates, for the most part, are remaining at their current level. This is primarily because of a contract signed in 2006-2007 with the teacher union that mandated a change in coverage for prescription drugs. The cost of retirement will decrease from 16.72% to 16.54% on October 1, 2008. Savings in the retirement rates are offset by doubled water and sewer rates in the Village of Shelby, rising cost of fuel and increased utility fees. These factors along with the anticipated drop in enrollment for the 2008-2009 school year will make this a challenging year financially.

Additionally, Shelby Public Schools attempted to pass a 2 mill increase to cover what has been used up in the Headlee Millage reduction. The proposal did not pass in either the May or August election. Therefore, Shelby Public Schools will not be able to levy the full 18 mills on all non-homestead, non-qualified agricultural property in the 2008 tax year. This will create an additional loss of slightly over \$44,000.

Because the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue consensus conference to estimate revenues.

### **Contacting The School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Shelby Public School with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 525 N. State Street, Shelby, Michigan 49455.

# SHELBY PUBLIC SCHOOLS

## District-wide Financial Statements

### STATEMENT OF NET ASSETS

JUNE 30, 2008

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Current Assets                                  |                                    |
| Cash and Cash Equivalents                       | \$ 2,914,429                       |
| Due From Other Governmental Units               | 2,394,559                          |
| Accounts Receivable                             | 4,641                              |
| Inventories                                     | 65,691                             |
| Prepaid Expenditures                            | 115,289                            |
| Total Current Assets                            | <u>5,494,609</u>                   |
| Non-current Assets                              |                                    |
| Capital Assets                                  | 25,940,736                         |
| Less: Accumulated Depreciation                  | <u>-9,457,360</u>                  |
| Total Non-current Assets                        | <u>16,483,376</u>                  |
| <b>TOTAL ASSETS</b>                             | <b><u>\$ 21,977,985</u></b>        |
| <br>  |                                    |
| <b>LIABILITIES AND NET ASSETS</b>               |                                    |
| Current Liabilities                             |                                    |
| Accounts Payable                                | \$ 51,870                          |
| Accrued Salaries and Expenses                   | 1,460,673                          |
| Accrued Interest                                | 73,778                             |
| Deferred Revenue                                | 68,981                             |
| Bonds Payable, Due within One Year              | 678,590                            |
| Total Current Liabilities                       | <u>2,333,892</u>                   |
| Non-current Liabilities                         |                                    |
| Bonds Payable                                   | 9,227,544                          |
| Compensated Absences and Severance Pay          | <u>3,613,880</u>                   |
| Total Non-current Liabilities                   | <u>12,841,424</u>                  |
| <b>TOTAL LIABILITIES</b>                        | <b><u>15,175,316</u></b>           |
| <br>  |                                    |
| <b>NET ASSETS</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 6,503,464                          |
| Restricted for Debt Service                     | 1,023,723                          |
| Unrestricted                                    | <u>-724,518</u>                    |
| <b>TOTAL NET ASSETS</b>                         | <b><u>6,802,669</u></b>            |
| <br>  |                                    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b><u>\$ 21,977,985</u></b>        |

See Accompanying Notes to Financial Statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

|   |               | Program Revenues           |                     | Governmental<br>Activities                               |
|---|---------------|----------------------------|---------------------|--|
|   | Expenses      | Charges<br>For<br>Services | Operating<br>Grants | Net <Expense><br>Revenue and<br>Changes in Net<br>Assets |
| <b>FUNCTIONS/PROGRAMS</b>                     |               |                            |                     |  |
| Governmental Activities                       |               |                            |                     |  |
| Instruction                                   | \$ 10,077,168 | \$ 5,094                   | \$ 2,304,604        | \$ -7,767,470  |
| Support Services                              | 4,644,826     | 4,111                      | 67,739              | -4,572,976   |
| Food Services                                 | 607,925       | 171,784                    | 430,035             | -6,106   |
| Athletics                                     | 388,587       | 41,966                     | ---                 | -346,621   |
| Community Services                            | 653,154       | 12,748                     | 777,235             | 136,829  |
| Interest on Long-Term Debt                    | 457,985       | ---                        | ---                 | -457,985   |
| Depreciation (Unallocated)                    | 610,647       | ---                        | ---                 | -610,647   |
| Total Governmental Activities                 | \$ 17,440,292 | \$ 235,703                 | \$ 3,579,613        | -13,624,976  |
| General Revenue                               |               |                            |                     |  |
| Taxes   |               |                            |                     |  |
| Property Taxes, Levied for General Operations |               |                            |                     | 2,415,581  |
| Property Taxes, Levied for Debt Service       |               |                            |                     | 1,315,068  |
| State of Michigan Aid, Unrestricted           |               |                            |                     | 10,009,259   |
| Interest Earnings                             |               |                            |                     | 123,972  |
| Other   |               |                            |                     | 61,428   |
| Total General Revenue                         |               |                            |                     | 13,925,308   |
| <b>CHANGE IN NET ASSETS</b>                   |               |                            |                     | 300,332  |
| NET ASSETS - BEGINNING OF YEAR                |               |                            |                     | 6,502,337  |
| <b>NET ASSETS - END OF YEAR</b>               |               |                            |                     | <b>\$ 6,802,669</b>                                      |

See Accompanying Notes to Financial Statements.

# SHELBY PUBLIC SCHOOLS

## Fund Financial Statements

### BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2008

|  | General             | Food Service     | Other Non-major Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|------------------------------------|--------------------------|
| <b>ASSETS</b>  |                     |                  |                                    |                          |
| Cash and Investments   | \$ 1,836,564        | \$ 54,142        | \$ 1,023,723                       | \$ 2,914,429             |
| Accounts Receivable  | 192                 | 4,449            | ---                                | 4,641                    |
| Due from Other Governmental Units  | 2,394,559           | ---              | ---                                | 2,394,559                |
| Due from Other Funds   | 87                  | ---              | 5,748                              | 5,835                    |
| Inventories  | 56,607              | 9,084            | ---                                | 65,691                   |
| Prepaid Expenditures   | 114,029             | 1,260            | ---                                | 115,289                  |
| <b>TOTAL ASSETS</b>  | <b>\$ 4,402,038</b> | <b>\$ 68,935</b> | <b>\$ 1,029,471</b>                | <b>\$ 5,500,444</b>      |
| <b>LIABILITIES AND FUND BALANCES</b>   |                     |                  |                                    |                          |
| <b>LIABILITIES</b>   |                     |                  |                                    |                          |
| Accounts Payable   | \$ 51,870           | \$ ---           | \$ ---                             | \$ 51,870                |
| Accrued Salaries and Withholdings  | 1,454,408           | 517              | 5,748                              | 1,460,673                |
| Due to Other Governments   | ---                 | ---              | ---                                | ---                      |
| Due to Other Funds   | 5,748               | 87               | ---                                | 5,835                    |
| Deferred Revenue   | 68,981              | ---              | ---                                | 68,981                   |
| <b>TOTAL LIABILITIES</b>   | <b>1,581,007</b>    | <b>604</b>       | <b>5,748</b>                       | <b>1,587,359</b>         |
| <b>FUND BALANCES</b>   |                     |                  |                                    |                          |
| Reserved for Inventories   | 56,607              | 9,084            | ---                                | 65,691                   |
| Reserved for Debt Service  | ---                 | ---              | 1,021,223                          | 1,021,223                |
| Unreserved, Designated   | 456,977             | ---              | ---                                | 456,977                  |
| Unreserved and Undesignated  | 2,307,447           | ---              | ---                                | 2,307,447                |
| Unreserved and Undesignated, Food Services   | ---                 | 59,247           | ---                                | 59,247                   |
| Unreserved and Undesignated, Athletics   | ---                 | ---              | 2,500                              | 2,500                    |
| <b>TOTAL FUND BALANCES</b>   | <b>2,821,031</b>    | <b>68,331</b>    | <b>1,023,723</b>                   | <b>3,913,085</b>         |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>   | <b>\$ 4,402,038</b> | <b>\$ 68,935</b> | <b>\$ 1,029,471</b>                | <b>\$ 5,500,444</b>      |
| <b>TOTAL GOVERNMENTAL FUND BALANCES</b>  |                     |                  |                                    | <b>\$ 3,913,085</b>      |
| Amounts reported for governmental activities in the statement of net assets are different because:             |                     |                  |                                    |                          |
| Capital assets used in governmental activities are not financial resources, and are not reported in the funds: |                     |                  |                                    |                          |
| Cost of the Capital Assets   |                     |                  |                                    | \$ 25,940,736            |
| Accumulated Depreciation   |                     |                  |                                    | <u>-9,457,360</u>        |
|  |                     |                  |                                    | 16,483,376               |
| Long-term Liabilities are not due and payable in the current period and are not reported in the fund           |                     |                  |                                    |                          |
| Bonds Payable  |                     |                  |                                    | -9,906,134               |
| Compensated Absences   |                     |                  |                                    | -3,613,880               |
| Accrued interest is not included as a liability in governmental funds  |                     |                  |                                    | <u>-73,778</u>           |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>   |                     |                  |                                    | <b>\$ 6,802,669</b>      |

See Accompanying Notes to Financial Statements.

# STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

|  | General             | Food<br>Service  | Other<br>Non-major<br>Governmental<br>Funds | Totals              |
|--|---------------------|------------------|---|---------------------|
| <b>REVENUE</b>   |                     |                  |   |                     |
| Local Sources  | \$ 2,580,883        | \$ 172,802       | \$ 1,398,067                                | \$ 4,151,752        |
| State Sources  | 11,306,772          | 25,956           | ---   | 11,332,728          |
| Federal Sources  | 1,852,065           | 404,079          | ---   | 2,256,144           |
| Miscellaneous  | ---                 | ---              | ---   | ---                 |
| <b>TOTAL REVENUE</b>   | <b>15,739,720</b>   | <b>602,837</b>   | <b>1,398,067</b>                            | <b>17,740,624</b>   |
| <b>EXPENDITURES</b>  |                     |                  |   |                     |
| Current  |                     |                  |   |                     |
| Instruction  | 10,077,168          | ---              | 388,587                                     | 10,465,755          |
| Supporting Services  | 4,652,711           | 607,925          | ---   | 5,260,636           |
| Community Services   | 653,154             | ---              | ---   | 653,154             |
| Debt Service   | ---                 | ---              | 1,124,398                                   | 1,124,398           |
| Capital Outlay   | 64,345              | 9,669            | ---   | 74,014              |
| <b>TOTAL EXPENDITURES</b>                                    | <b>15,447,378</b>   | <b>617,594</b>   | <b>1,512,985</b>                            | <b>17,577,957</b>   |
| <b>EXCESS OF REVENUE OVER<br/>&lt;UNDER&gt; EXPENDITURES</b> | 292,342             | -14,757          | -114,918                                    | 162,667             |
| <b>OTHER FINANCING SOURCES &lt;USES&gt;</b>                  |                     |                  |   |                     |
| Operating Transfers In                                       | ---                 | ---              | 346,621                                     | 346,621             |
| Operating Transfers Out                                      | -346,621            | ---              | ---   | -346,621            |
| <b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>            | <b>-346,621</b>     | <b>---</b>       | <b>346,621</b>                              | <b>---</b>          |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>-54,279</b>      | <b>-14,757</b>   | <b>231,703</b>                              | <b>162,667</b>      |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>                     | <b>2,875,310</b>    | <b>83,088</b>    | <b>792,020</b>                              | <b>3,750,418</b>    |
| <b>FUND BALANCES - END OF YEAR</b>                           | <b>\$ 2,821,031</b> | <b>\$ 68,331</b> | <b>\$ 1,023,723</b>                         | <b>\$ 3,913,085</b> |

See Accompanying Notes to Financial Statements.

# SHELBY PUBLIC SCHOOLS

## Fund Financial Statements

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

**NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS** **\$ 162,667**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

-610,647

Capital Outlay

76,178

-534,469

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

1,413

- Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

670,721

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 300,332

See Accompanying Notes to Financial Statements.

**STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2008**

|                           | <u>Agency Fund –<br/>Student Activities</u> |
|---------------------------|---|
| <b>ASSETS</b>             |   |
| Cash and Cash Equivalents | \$ 137,356                                  |
| Accounts Receivable       | ---   |
|                           | <hr/>                                       |
| <b>TOTAL ASSETS</b>       | <b><u><u>\$ 137,356</u></u></b>             |
| <br>                      |   |
| <b>LIABILITIES</b>        |   |
| Due to Other Funds        | \$ ---                                      |
| Due to Others             | 13,339                                      |
| Due to Student Groups     | 124,017                                     |
|                           | <hr/>                                       |
| <b>TOTAL LIABILITIES</b>  | <b><u><u>\$ 137,356</u></u></b>             |

See Accompanying Notes to Financial Statements.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

**A. REPORTING ENTITY:** Shelby Public School District is located in Oceana County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

### B. BASIS OF PRESENTATION

#### District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided

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by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**District-wide Statements** – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

## GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund and Athletic Fund.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### GOVERNMENTAL FUNDS – CONTINUED

Debt Service Funds – These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Service Funds maintained by the School District are to retire outstanding 1998, 2003 and Durant bonded indebtedness.

Capital Project Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

#### FIDUCIARY FUNDS

Agency Fund – The Agency Fund is used to account for assets held by the School as an agent for student clubs and organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**C. BUDGETS AND BUDGETARY ACCOUNTING:** The General Fund, Special Revenue Funds, and Debt Retirement Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted at the functional level.

**D. PROPERTY TAXES:** Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and payable on December 1. The District collects its taxes through the local township treasurers. Settlement of the delinquent real property taxes is funded by Oceana County. The District recognizes property tax revenue in the year of levy except for delinquent personal property taxes, which are recorded as revenue when received.

**E. INVENTORIES:** Inventories are accounted for at cost on a first-in, first-out basis of accounting with the exception of USDA Commodities that are recorded at market value. Inventory consists of expendable supplies held for consumption and USDA Commodities.

**F. CASH EQUIVALENTS:** The School District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**G. FINANCIAL INSTRUMENTS:** The School does not require collateral to support financial instruments subject to credit risk.

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**H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

**I. FUND EQUITY:** Reservations of fund balance represent these portions of fund equity not appropriate for expenditure or legally segregated for a specific future use.

**J. CAPITAL ASSETS:** Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

|                               |             |
|-------------------------------|-------------|
| Buildings and additions       | 20-50 years |
| Buses and other vehicles      | 5-10 years  |
| Furniture and other equipment | 5-20 years  |

**K. LONG-TERM OBLIGATIONS:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**L. TOTAL COLUMNS ON COMBINED STATEMENTS:** Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**M. STATE CATEGORICAL REVENUE:** The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

**N. RISK MANAGEMENT:** The School District is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**O. ESTIMATES:** The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

**A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:** The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the District, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The School District is in compliance with State law regarding their cash deposits.

**B. TYPES OF DEPOSITS AND INVESTMENTS:** The School District maintains all of its cash deposits in four financial institutions. At June 30, 2008 the book value of the School District's deposits was \$603,110 and the bank balance was \$858,895. Of the bank balance, \$200,920 was covered by federal depository insurance and \$657,975 was uninsured and uncollateralized.

**CASH EQUIVALENTS:** There is \$2,447,385 in the Michigan Liquid Asset Fund Plus Account. This cash equivalent is not categorized as to risk because it is not evidenced by securities that the School owns specifically or can be identified with securities within the liquid asset account.

| <u>Carrying Value</u> | <u>Market Value</u> |
|-----------------------|---------------------|
| \$ 2,447,385          | \$ 2,447,385        |

Total Cash:

|                                    |              |
|------------------------------------|--------------|
| Petty Cash                         | \$ 1,290     |
| Deposits in Financial Institutions | 603,110      |
| Deposits in MLAF Account           | 2,447,385    |
|                                    | \$ 3,051,785 |

### NOTE 3 – INVENTORY

The \$56,607 shown as inventory in the General Fund represents the value of supplies, bus parts and fuel on hand at June 30, 2008.

There is \$9,084 of inventory in the Special Revenue Fund – Food Service.

Total inventory of both funds at June 30, 2008, was \$65,691.

# SHELBY PUBLIC SCHOOLS

## Notes To Financial Statements

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2008, is comprised of the following:

| <u>General Fund</u>                            |                     |                     |
|--|---------------------|---------------------|
| State of Michigan                              | - State Aid         | \$ 2,035,338        |
|  | - Title I           | 15,789              |
|  | - Title II-A        | 2,614               |
|  | - Migrant Education | 6,138               |
|  | - Adult Ed. English | 9,809               |
|  | - CACFP             | 601                 |
|  | - Title III         | 1,764               |
| Muskegon County                                | - Head Start        | 35,697              |
|  | - Work First Grant  | 140,261             |
|  | - Labor Exchange    | 7,260               |
|  | - WIA               | 97,455              |
| Muskegon Area ISD                              | - MI Model          | 2,639               |
|  | - Younger Youth     | 10,068              |
|  | - Drug Free         | 7,687               |
|  | - IDEA              | 14,995              |
| Goodwill Industries                            |                     | 1,659               |
| Village of Shelby – Crossing Guards            |                     | 824                 |
| Oceana ISD- PPI Costs                          |                     | 3,961               |
| <u>Total Due From Other Governmental Units</u> |                     | <u>\$ 2,394,559</u> |

### NOTE 5 – DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2008, consisted of the following:

| <u>Due To:</u> |                 | <u>Due From:</u> |                 |
|----------------|-----------------|------------------|-----------------|
| General        | \$ 87           | Food Service     | \$ 87           |
| Athletics      | <u>5,748</u>    | General          | <u>5,748</u>    |
|                | <u>\$ 5,835</u> |                  | <u>\$ 5,835</u> |

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## NOTE 6 – CAPITAL ASSETS

Capital asset activity of the school district's Governmental activities was as follows:

|                                      | Balance<br>June 30, 2007 | Additions   | Disposals<br>and<br>Adjustments | Balance<br>June 30, 2008 |
|--------------------------------------|--------------------------|-------------|---------------------------------|--------------------------|
| Assets not being depreciated:        |                          |             |                                 |                          |
| Land                                 | \$ 231,991               | \$ ---      | \$ ---                          | \$ 231,991               |
| Capital assets being depreciated:    |                          |             |                                 |                          |
| Building and building improvements   | 21,789,056               | ---         | ---                             | 21,789,056               |
| Buses and other vehicles             | 1,183,812                | 62,000      | ---                             | 1,245,812                |
| Furniture and equipment              | 2,659,699                | 14,178      | ---                             | 2,673,877                |
| Subtotal                             | 25,632,567               | 76,178      | ---                             | 25,708,745               |
| Accumulated depreciation:            |                          |             |                                 |                          |
| Building and building improvements   | 5,983,270                | 441,374     | ---                             | 6,424,644                |
| Buses and other vehicles             | 915,931                  | 64,010      | ---                             | 979,941                  |
| Furniture and equipment              | 1,947,512                | 105,263     | ---                             | 2,052,775                |
| Subtotal                             | 8,846,713                | 610,647     | ---                             | 9,457,360                |
| Net capital assets being depreciated | 16,785,854               | -534,469    | ---                             | 16,251,385               |
| Net capital assets                   | \$ 17,017,845            | \$ -534,469 | \$ ---                          | \$ 16,483,376            |

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

## NOTE 7 – ACCRUED SALARIES AND FRINGE BENEFITS

Salaries payable at June 30, 2008, of \$883,285 represents the unpaid portion of teacher contracts for the 2007-08 school year. On these salaries there are also fringe benefits payable at year-end totaling \$577,388.

## NOTE 8 – LONG-TERM DEBT

Long-Term Debt is comprised of bonded debt, bus notes and other notes payable. During the year ended June 30, 2008, long-term debt changed as follows:

# SHELBY PUBLIC SCHOOLS

## Notes To Financial Statements

### NOTE 8 – LONG-TERM DEBT – CONTINUED

| Bond Issue           | 6/30/07              | Additional Debt | 2007-08 Payments  | Balance 6/30/08      |
|----------------------|----------------------|-----------------|-------------------|----------------------|
| 1992 Debt            | \$ ---               | \$ ---          | \$ ---            | \$ ---               |
| 1998 Refunding Debt  | 9,350,000            | ---             | 60,000            | 9,290,000            |
| 2003 Refunding Debt  | 1,130,000            | ---             | 605,000           | 525,000              |
| Durant Debt          | 91,134               | ---             | ---               | 91,134               |
| School Bond Loan     | ---                  | ---             | ---               | ---                  |
|                      | 10,571,134           | ---             | 665,000           | 9,906,134            |
| Compensated Absences | 3,619,601            | ---             | 5,721             | 3,613,880            |
|                      | <u>\$ 14,190,735</u> | <u>\$ ---</u>   | <u>\$ 670,721</u> | <u>\$ 13,520,014</u> |

Amounts needed over the next five years for debt principal payments are as follows:

|                 | 1998 Refunding Debt | Durant Debt      | 2003 Refunding Debt | Total               |
|-----------------|---------------------|------------------|---------------------|---------------------|
| 2008-09         | \$ 145,000          | \$ 8,590         | \$ 525,000          | \$ 678,590          |
| 2009-10         | 710,000             | 52,897           | ---                 | 762,897             |
| 2010-11         | 730,000             | 9,427            | ---                 | 739,427             |
| 2011-12         | 750,000             | 9,875            | ---                 | 759,875             |
| 2012-13         | 765,000             | 10,345           | ---                 | 775,345             |
|                 | 3,100,000           | 91,134           | 525,000             | 3,716,134           |
| 2013 - Maturity | 6,190,000           | ---              | ---                 | 6,190,000           |
|                 | <u>\$ 9,290,000</u> | <u>\$ 91,134</u> | <u>\$ 525,000</u>   | <u>\$ 9,906,134</u> |

Shelby Refunding Bond Issue – 2003: The District issued \$2,945,000 of refunding bonds dated August 12, 2003. Principal payments are due May 1, beginning in 2004 through 2009. Interest rates ranged from 2.0% to 2.9%. The balance at June 30, 2008 was \$525,000.

Shelby Refunding Bond Issue – 1998: The District issued \$9,845,000 of refunding bonds dated December 22, 1998. Principal payments are due May 1, beginning in 1999 through 2021. Interest rates range from 3.1% to 4.8%. The balance at June 30, 2008, was \$9,290,000. See Note 12 for additional information on this transaction.

Durant Bond Issue: The District issued \$154,344 of bonds dated November 24, 1998. The principal and interest on the bond issue is financed from state aid revenue. The bonds bear interest at 4.761% and are due annually through 2013. The balance at June 30, 2008, was \$91,134.

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Compensated Absences: Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused sick leave amounts and severance pay. Once a teacher, secretary, or administrator reaches the twelfth step on the salary schedule, the accumulated compensable leave to the employee's credit is a cash surrender value of fifty percent. Custodians must attain fifteen years of service to be vested. Upon retirement, the accumulated days (maximum 115 days) are payable at 50% of rate of pay at the time of retirement. Therefore, a liability of \$1,031,160 exists at June 30, 2008.

Severance Pay: Any teacher who has taught twelve years in the Shelby Public School system, upon retirement or termination of services, is eligible to receive severance pay. Any teacher hired prior to June 17, 2002, who is on the twelfth step, upon retirement or termination of services is eligible to receive severance pay. Severance pay is equal to 50% of current salary levels. The liability at June 30, 2008 was \$2,582,720.

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN**

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), which is a multiple-employer public employee retirement system. MPSERS maintains two plans: the Basic Plan and a Member Investment Plan (MIP). The retirement statute requires that the School District contribute 14.56% of the aggregate annual compensation paid to all employees who are members of the Retirement System. Effective October 1, 1996, the rate increased to 15.17%, and has changed annually since then. For the year ending June 30, 2008, the rate was 16.72%.

Members joining MIP prior to January 1, 1990, contribute at a fixed rate of 3.9% of gross wages. Members joining MIP January 1, 1990, or later contribute at the following graduated permanently fixed rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. After January 1, 1990, membership in MIP is mandatory.

All benefits vest after 10 years of service. Basic Plan members may retire at age 55 with 30 years of credited service, or at age 50 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service, or at age 60

### NOTE 9 – DEFINED BENEFIT PENSION PLAN – CONTINUED

with 5 years of service. Both Basic and MIP Plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. The system also provides non-duty disability benefits after 10 years of service for MIP members and 15 years of service for basic plan members. The service provision is waived for duty disability and duty death benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members it is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees. MIP members receive a fixed 3% annual increase of the initial benefit. Basic members share in investment earnings over 8%.

The employees covered by the plan include: all teaching and non-teaching employees, employees paid from federal funds, students working summer months but not attending classes, and students working in a school other than the one they are enrolled in and attending classes.

During the year ended June 30, 2008, the School District contributed \$1,578,668 to the Retirement System, which is 16.94% of current fiscal year covered compensation of \$9,327,071. The rate for the current contract year is 16.72%, which the School District paid on all covered compensation. Employees contributed an additional \$309,630 or 3.32% of eligible wages of \$9,327,071. Total wages of the district totaled \$9,694,264.

The "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement plans and employers. The System does not make separate measurements of assets and pension benefits obligation for individual employers. The actuarial accrued liability at September 30, 2006, for the System as a whole, determined through an actuarial valuation performed, as of that date, was \$49.1 billion. The total pension benefit obligation has increased by \$0.9 billion from September 30, 2005 to September 30, 2006.

The System's net assets available for benefits on that date (valued at market) were \$43.0 billion leaving an unfunded actuarial accrued liability of \$6.1 billion. Ten-year historical trend information is presented in the System's September 30, 2007, comprehensive annual financial report.

### NOTE 10 – BUDGETARY ACCOUNTING

During the year ended June 30, 2008, the School incurred expenditures that were in excess of the amounts appropriated as follows:

|                     | Budget     | Actual     | Variance  |
|---------------------|------------|------------|-----------|
| Athletic Fund       |            |            |           |
| Instruction         | \$ 375,560 | \$ 388,587 | \$ 13,027 |
| Food Service Fund   |            |            |           |
| Supporting Services | 573,270    | 607,925    | 34,655    |
| General Fund        |            |            |           |
| Operating Transfers | 344,162    | 346,621    | 2,459     |

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## **NOTE 11 – FUND BALANCE**

Components of Fund Balance at June 30, 2008, are as follows:

- A) \$56,607 of fund balance in the General Fund is reserved. This amount represents inventory supplies on hand at year-end and is not available for current appropriations and expenditures.
- B) \$61,321 of fund balance in the General Fund has been designated for future technology purchases.
- C) \$295,656 of fund balance in the General Fund has been designated for reduced class size.
- D) \$9,084 of fund balance in the Special Revenue - Food Service Fund is reserved. This amount represents inventory supplies and USDA commodity inventories on hand at year-end and is not available for current appropriations and expenditures of the Hot Lunch Fund.
- E) \$100,000 of fund balance in the general fund has been designated for future facility improvements.
- F) The balance of the Unreserved Fund Balance is undesignated and is available to fund future School operations. The June 30, 2008, Unreserved General Fund Balance of \$2,307,447 compares to June 30, 2007, Unreserved General Fund Balance of \$2,356,484.

## **NOTE 12 – ADVANCE REFUNDING AND DEFEASANCE OF DEBT**

On December 22, 1998, Shelby Public School issued \$9,845,000 in General Obligation Unlimited Tax Refunding Bonds with interest rates of 3.1% to 4.8% to advance refund \$8,960,000 of outstanding 1995 Building and Site Bonds with an average interest rate of 5.3%. The net proceeds of \$9,600,500 (after payment of \$244,500 in issuance costs) were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1995 bonds. As a result, the remaining balance on the 1995 bonds is considered to be defeased. The liability for those bonds has been removed from the general long-term debt account group.

Shelby Public Schools advance refunded the 1995 bonds to reduce its total debt service payments over the next twenty-two years by \$376,125. However, as a result of the transaction, Shelby Public Schools acquired an additional debt of \$855,000.

On August 12, 2003, Shelby Public School issued \$2,945,000 in General Obligation Unlimited Tax Refunding Bonds with interest rates of 2.0% to 2.9% to advance refund \$2,790,000 of outstanding 1995 Building Site Bonds with an average interest rate of 5.1%. The net proceeds of \$2,945,000 (after payment of \$41,285 in issuance costs) plus an additional \$50,000 of Shelby Public School Debt Funds were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 bonds. As a result, the 1995 bonds are considered to be defeased. The liability for those bonds has been removed from the general long-term debt account group.

Shelby Public Schools advance refunded the 1995 bonds to reduce its total debt service payments over the next ten years by \$110,000. However, as a result of the transaction, Shelby Public Schools acquired an additional debt of \$155,000.

### NOTE 13 – LEASES

The School District leases Rothbury School from the Montague Area Public Schools. The lease term is from August 1, 2005 through June 15, 2008. Rent is \$2,500 monthly plus utilities from August 5 through June 15. Total lease expense for the year ended June 30, 2008 was \$25,000.

The School District leases space for its employment and training programs. The lease term is from February 1, 2005 through January 31, 2010. Monthly rent of \$1,250 is due. Total lease expense for the year ending June 30, 2008, was \$16,013. The base monthly rent increases annually by \$37.50.

Future minimum lease obligations are as follows:

|                           |           |
|---------------------------|-----------|
| Year ending June 30, 2009 | \$ 16,463 |
| 2010                      | 9,800     |
| 2011 and thereafter       | ---       |

### NOTE 14 – DEFERRED REVENUE

At June 30, 2008, various monies had been received for specific programs, but the programs had not yet incurred the expenses related to this revenue. These revenues are then recorded as deferred. At June 30, 2008, deferred revenue consisted of the following:

|                            |                  |
|----------------------------|------------------|
| Middle School Math/Science | \$ 4,066         |
| MSRP                       | 39,973           |
| At Risk                    | 24,662           |
| Other                      | <u>280</u>       |
|                            | <u>\$ 68,981</u> |

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**REQUIRED SUPPLEMENTAL INFORMATION**

# SHELBY PUBLIC SCHOOLS

## Budgetary Comparison Schedule

### GENERAL FUND

YEAR ENDED JUNE 30, 2008

|   | Budgeted Amounts    |                     | Actual<br>(Budgetary Basis) | Variance          |
|---|---------------------|---------------------|-----------------------------|-------------------|
|   | Original            | Final               |                             |                   |
| <b>REVENUE</b>  |                     |                     |                             |                   |
| Local Sources   | \$ 2,606,262        | \$ 2,562,353        | \$ 2,580,883                | \$ 18,530         |
| State Sources   | 10,736,908          | 11,245,889          | 11,306,772                  | 60,883            |
| Federal Sources   | 1,614,737           | 1,986,971           | 1,852,065                   | -134,906          |
| Miscellaneous   | ---                 | ---                 | ---                         | ---               |
| <b>TOTAL REVENUE</b>  | <b>14,957,907</b>   | <b>15,795,213</b>   | <b>15,739,720</b>           | <b>-55,493</b>    |
| <b>EXPENDITURES</b>   |                     |                     |                             |                   |
| Current   |                     |                     |                             |                   |
| Instruction   |                     |                     |                             |                   |
| Basic Programs  | 7,226,071           | 7,451,888           | 7,366,924                   | 84,964            |
| Added Needs   | 2,296,411           | 2,360,935           | 2,198,582                   | 162,353           |
| Adult/Continuing Education  | 487,322             | 544,818             | 511,662                     | 33,156            |
| Supporting Services   |                     |                     |                             |                   |
| Pupil   | 477,228             | 512,121             | 443,097                     | 69,024            |
| Instructional Staff   | 549,731             | 638,504             | 574,501                     | 64,003            |
| Administration  | 1,309,400           | 1,316,994           | 1,301,853                   | 15,141            |
| Business Support  | 310,025             | 386,130             | 377,755                     | 8,375             |
| Operations  | 1,281,207           | 1,359,062           | 1,346,826                   | 12,236            |
| Transportation  | 624,991             | 619,434             | 608,679                     | 10,755            |
| Community Services  | 551,972             | 763,543             | 653,154                     | 110,389           |
| Debt Service  | ---                 | ---                 | ---                         | ---               |
| Capital Outlay  | ---                 | 69,641              | 64,345                      | 5,296             |
| Other Uses – Operating Transfers  | 308,000             | 344,162             | 346,621                     | -2,459            |
| <b>TOTAL EXPENDITURES</b>   | <b>15,422,358</b>   | <b>16,367,232</b>   | <b>15,793,999</b>           | <b>573,233</b>    |
| <b>EXCESS OF REVENUE OVER<br/>&lt;UNDER&gt; EXPENDITURES AND<br/>OTHER USES</b> | <b>-464,451</b>     | <b>-572,019</b>     | <b>-54,279</b>              | <b>517,740</b>    |
| BUDGETARY FUND BALANCE -<br>JULY 1, 2007  | 2,875,310           | 2,875,310           | 2,875,310                   | ---               |
| <b>BUDGETARY FUND BALANCE -<br/>JUNE 30, 2008</b>                               | <b>\$ 2,410,859</b> | <b>\$ 2,303,291</b> | <b>\$ 2,821,031</b>         | <b>\$ 517,740</b> |

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**Budgetary Comparison Schedule****FOOD SERVICE****YEAR ENDED JUNE 30, 2008**

|   | Budgeted Amounts |                  | Actual            | Variance        |
|---|------------------|------------------|-------------------|-----------------|
|   | Original         | Final            | (Budgetary Basis) |                 |
| <b>REVENUE</b>  |                  |                  |                   |                 |
| Local Sources   | \$ 169,575       | \$ 169,575       | \$ 172,802        | \$ 3,227        |
| State Sources   | 29,000           | 29,000           | 25,956            | -3,044          |
| Federal Sources   | 365,000          | 365,000          | 404,079           | 39,079          |
| Miscellaneous   | ---              | ---              | ---               | ---             |
| <b>TOTAL REVENUE</b>  | <b>563,575</b>   | <b>563,575</b>   | <b>602,837</b>    | <b>39,262</b>   |
| <b>EXPENDITURES</b>   |                  |                  |                   |                 |
| Current   |                  |                  |                   |                 |
| Instruction   |                  |                  |                   |                 |
| Basic Programs  | ---              | ---              | ---               | ---             |
| Added Needs   | ---              | ---              | ---               | ---             |
| Adult/Continuing Education  | ---              | ---              | ---               | ---             |
| Supporting Services   |                  |                  |                   |                 |
| Pupil   | 558,198          | 573,270          | 607,925           | -34,655         |
| Instructional Staff   | ---              | ---              | ---               | ---             |
| Administration  | ---              | ---              | ---               | ---             |
| Business Support  | ---              | ---              | ---               | ---             |
| Operations  | ---              | ---              | ---               | ---             |
| Transportation  | ---              | ---              | ---               | ---             |
| Community Services  | ---              | ---              | ---               | ---             |
| Debt Service  | ---              | ---              | ---               | ---             |
| Capital Outlay  | 1,500            | 9,700            | 9,669             | 31              |
| Other Uses - Operating Transfers  | ---              | ---              | ---               | ---             |
| <b>TOTAL EXPENDITURES</b>   | <b>559,698</b>   | <b>582,970</b>   | <b>617,594</b>    | <b>-34,624</b>  |
| <b>EXCESS OF REVENUE OVER &lt;UNDER&gt;<br/>EXPENDITURES AND OTHER USES</b> | <b>3,877</b>     | <b>-19,395</b>   | <b>-14,757</b>    | <b>4,638</b>    |
| BUDGETARY FUND BALANCE -<br>JULY 1, 2007                                    | 83,088           | 83,088           | 83,088            | ---             |
| <b>BUDGETARY FUND BALANCE -<br/>JUNE 30, 2008</b>                           | <b>\$ 86,965</b> | <b>\$ 63,693</b> | <b>\$ 68,331</b>  | <b>\$ 4,638</b> |

**OTHER SUPPLEMENTAL INFORMATION**

## **GENERAL FUND**

# SHELBY PUBLIC SCHOOLS

General Fund

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

| REVENUE                                   | Budget        | Actual        | Favorable<br><Unfavorable> |
|---|---------------|---------------|----------------------------|
| LOCAL SOURCES                             |               |               |                            |
| Current Property Tax Levy                 | \$ 2,413,984  | \$ 2,414,674  | \$ 690                     |
| Interest and Penalties - Delinquent Taxes | 500           | 907           | 407                        |
| Tuition, Patrons                          | 2,726         | 2,172         | -554                       |
| Sale of School Property                   | ---           | ---           | ---                        |
| Interest Earned                           | 80,000        | 81,921        | 1,921                      |
| Rental of School Facilities               | 2,500         | 1,658         | -842                       |
| Transportation                            | 2,453         | 2,453         | ---                        |
| Day Care Fees                             | 6,200         | 6,648         | 448                        |
| Community Education Fees                  | 6,500         | 6,100         | -400                       |
| Other                                     | 44,890        | 61,428        | 16,538                     |
| After School                              | 2,600         | 2,922         | 322                        |
| TOTAL REVENUE FROM LOCAL SOURCES          | 2,562,353     | 2,580,883     | 18,530                     |
| STATE SOURCES                             |               |               |                            |
| Non Plaintiff Durant Settlement           | 15,434        | 15,434        | ---                        |
| State Aid                                 | 9,902,981     | 10,009,259    | 106,278                    |
| Day Care                                  | 2,500         | 2,586         | 86                         |
| Special Education                         | 317,156       | 312,402       | -4,754                     |
| Adult Education                           | 53,377        | 56,894        | 3,517                      |
| At Risk                                   | 466,457       | 441,786       | -24,671                    |
| Vocational Education                      | 35,468        | 36,139        | 671                        |
| Michigan School Readiness                 | 272,646       | 232,425       | -40,221                    |
| Middle School Math/Science                | ---           | 16,197        | 16,197                     |
| Renaissance Zone                          | 162,706       | 162,706       | ---                        |
| Commercial Forest                         | 3,812         | 3,813         | 1                          |
| Bilingual Education                       | 13,352        | 13,352        | ---                        |
| Michigan Prisoner Re-entry                | ---           | 3,779         | 3,779                      |
| TOTAL REVENUE FROM STATE SOURCES          | \$ 11,245,889 | \$ 11,306,772 | \$ 60,883                  |

|   | Budget               | Actual               | Favorable<br><Unfavorable> |
|---|----------------------|----------------------|----------------------------|
| <b>FEDERAL SOURCES</b>                      |                      |                      |                            |
| Improving Teacher Quality Migrant Program   | \$ 121,032           | \$ 90,025            | \$ -31,007                 |
| Summer Migrant Program                      | 108,229              | 107,700              | -529                       |
| Summer School Food Program                  | 147,966              | 58,340               | -89,626                    |
| Title I                                     | 9,038                | 9,038                | ---                        |
| Drug Free Title III                         | 419,402              | 334,639              | -84,763                    |
| Adult Basic Education                       | 7,689                | 7,687                | -2                         |
| Title V                                     | 44,028               | 28,649               | -15,379                    |
| IDEA  | 19,491               | 15,540               | -3,951                     |
| IDEA Self Review                            | 3,410                | 3,410                | ---                        |
| Child Care Food                             | 48,000               | 48,000               | ---                        |
| Work First                                  | 4,500                | 4,105                | -395                       |
| Workforce Investment Act                    | 30,000               | 33,456               | 3,456                      |
| English Literacy                            | 414,609              | 479,228              | 64,619                     |
| Labor Exchange                              | 82,162               | 206,834              | 124,672                    |
| 4C Schooling                                | 10,600               | 9,809                | -791                       |
| Service Learning Grant                      | 40,079               | 50,964               | 10,885                     |
| Comprehensive School Reform                 | 240                  | 540                  | 300                        |
| Technology Literacy                         | 25,454               | 2,444                | -23,010                    |
| WIA Younger Youth                           | ---                  | 10,453               | 10,453                     |
| Head Start                                  | 5,309                | 5,309                | ---                        |
| Michigan Model                              | 40,187               | 57,717               | 17,530                     |
|   | 405,546              | 285,539              | -120,007                   |
|   | ---                  | 2,639                | 2,639                      |
| <b>TOTAL REVENUE FROM FEDERAL SOURCES</b>   | <b>1,986,971</b>     | <b>1,852,065</b>     | <b>-134,906</b>            |
| <b>TOTAL REVENUE AND INCOMING TRANSFERS</b> | <b>\$ 15,795,213</b> | <b>\$ 15,739,720</b> | <b>\$ -55,493</b>          |
| <b>EXPENDITURES</b>                         |                      |                      |                            |
| <b>Instruction</b>                          |                      |                      |                            |
| <b>BASIC PROGRAMS</b>                       |                      |                      |                            |
| Elementary Schools                          | \$ 3,232,631         | \$ 3,214,239         | \$ 18,392                  |
| Middle School                               | 1,529,566            | 1,522,276            | 7,290                      |
| High Schools                                | 2,493,979            | 2,482,589            | 11,390                     |
| Preschool                                   | 166,485              | 147,820              | 18,665                     |
| Summer School                               | 29,227               | ---                  | 29,227                     |
| <b>TOTAL BASIC PROGRAMS</b>                 | <b>\$ 7,451,888</b>  | <b>\$ 7,366,924</b>  | <b>\$ 84,964</b>           |

# SHELBY PUBLIC SCHOOLS

General Fund

## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

|                                  | Budget       | Actual       | Favorable<br><Unfavorable> |
|----------------------------------|--------------|--------------|----------------------------|
| <b>EXPENDITURES (CONTINUED)</b>  |              |              |                            |
| <b>Instruction - Continued</b>   |              |              |                            |
| ADDED NEEDS                      |              |              |                            |
| Special Education                | \$ 1,105,064 | \$ 1,100,548 | \$ 4,516                   |
| Compensatory Education           | 909,043      | 808,352      | 100,691                    |
| Vocational Education             | 346,828      | 289,682      | 57,146                     |
| TOTAL ADDED NEEDS                | 2,360,935    | 2,198,582    | 162,353                    |
| ADULT/CONTINUING EDUCATION       |              |              |                            |
| Adult Education                  | 240,103      | 238,091      | 2,012                      |
| Workforce Investment Act         | 304,715      | 273,571      | 31,144                     |
| TOTAL ADULT/CONTINUING EDUCATION | 544,818      | 511,662      | 33,156                     |
| <b>Total Instruction</b>         | 10,357,641   | 10,077,168   | 280,473                    |
| <b>Supportive Services</b>       |              |              |                            |
| PUPIL                            |              |              |                            |
| Guidance                         | 373,483      | 344,113      | 29,370                     |
| Drug-Free                        | 5,894        | 5,894        | ---                        |
| Social Work                      | 71,412       | 52,078       | 19,334                     |
| Other                            | 61,332       | 41,012       | 20,320                     |
| TOTAL PUPIL                      | 512,121      | 443,097      | 69,024                     |
| INSTRUCTIONAL STAFF              |              |              |                            |
| Improvement of Instruction       | 156,305      | 126,738      | 29,567                     |
| Educational Media Services       | 156,661      | 156,137      | 524                        |
| Computer Assisted Instruction    | 87,030       | 80,718       | 6,312                      |
| Supervision                      | 238,139      | 210,539      | 27,600                     |
| Other                            | 369          | 369          | ---                        |
| TOTAL INSTRUCTIONAL STAFF        | 638,504      | 574,501      | 64,003                     |
| ADMINISTRATION                   |              |              |                            |
| Board of Education               | 39,666       | 34,461       | 5,205                      |
| Executive Administration         | 195,937      | 187,379      | 8,558                      |
| Principals Offices               | 1,077,491    | 1,076,244    | 1,247                      |
| Other                            | 3,900        | 3,769        | 131                        |
| TOTAL ADMINISTRATION             | \$ 1,316,994 | \$ 1,301,853 | \$ 15,141                  |

|  | Budget               | Actual               | Favorable<br><Unfavorable> |
|--|----------------------|----------------------|----------------------------|
| <b>BUSINESS SERVICES</b>   |                      |                      |                            |
| Fiscal Services  | \$ 233,032           | \$ 232,780           | \$ 252                     |
| Other Business Services  | 64,265               | 63,071               | 1,194                      |
| Operation and Maintenance  | 1,359,062            | 1,346,826            | 12,236                     |
| Pupil Transportation   | 619,434              | 608,679              | 10,755                     |
| Planning and Research  | 8,794                | 8,546                | 248                        |
| Staff/Personnel Services   | 15,965               | 14,506               | 1,459                      |
| Information Management Services  | 62,112               | 56,891               | 5,221                      |
| Pupil Accounting   | 1,962                | 1,961                | 1                          |
| <b>TOTAL BUSINESS SERVICES</b>   | <b>2,364,626</b>     | <b>2,333,260</b>     | <b>31,366</b>              |
| <b>Total Supportive Services</b>   | <b>4,832,245</b>     | <b>4,652,711</b>     | <b>179,534</b>             |
| <b>Community Services</b>  |                      |                      |                            |
| Community Activities   | 1,506                | 900                  | 606                        |
| Custody and Care of Children   | 353,626              | 261,904              | 91,722                     |
| Welfare Activities   | 383,446              | 367,897              | 15,549                     |
| Non-public School Pupils   | 2,470                | 960                  | 1,510                      |
| Other  | 22,495               | 21,493               | 1,002                      |
| <b>Total Community Services</b>  | <b>763,543</b>       | <b>653,154</b>       | <b>110,389</b>             |
| <b>Capital Outlay</b>  |                      |                      |                            |
| Bus Purchase   | 62,000               | 62,000               | ---                        |
| Other  | 7,641                | 2,345                | 5,296                      |
| <b>Total Capital Outlay</b>  | <b>69,641</b>        | <b>64,345</b>        | <b>5,296</b>               |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 16,023,070</b> | <b>\$ 15,447,378</b> | <b>\$ 575,692</b>          |
| <b>EXCESS REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>  | <b>-227,857</b>      | <b>292,342</b>       | <b>520,199</b>             |
| <b>OTHER FINANCING SOURCES &lt;USES&gt;</b>  |                      |                      |                            |
| Loan Proceeds  | ---                  | ---                  | ---                        |
| Operating Transfers In   | ---                  | ---                  | ---                        |
| Operating Transfers Out  | -344,162             | -346,621             | -2,459                     |
| <b>TOTAL OTHER FINANCING SOURCES&lt;USES&gt;</b>   | <b>-344,162</b>      | <b>-346,621</b>      | <b>-2,459</b>              |
| <b>EXCESS REVENUE AND OTHER FINANCING SOURCES<br/>OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b> | <b>\$ -572,019</b>   | <b>-54,279</b>       | <b>\$ 517,740</b>          |
| FUND BALANCE – JULY 1, 2007  |                      | 2,875,310            |                            |
| <b>FUND BALANCE – JUNE 30, 2008</b>  |                      | <b>\$ 2,821,031</b>  |                            |

**SPECIAL REVENUE FUNDS**

## COMBINING BALANCE SHEET

JUNE 30, 2008

|  | Food<br>Service<br>Fund | Athletic<br>Fund | Totals           |
|--|-------------------------|------------------|------------------|
| <b>ASSETS</b>                            |                         |                  |                  |
| Cash – In Bank                           | \$ 53,942               | \$ 2,300         | \$ 56,242        |
| – On Hand                                | 200                     | 200              | 400              |
| Accounts Receivable                      | 4,449                   | ---              | 4,449            |
| Due From Other Governmental Units        | ---                     | ---              | ---              |
| Due From Other Funds                     | ---                     | 5,748            | 5,748            |
| Prepaid Expenses                         | 1,260                   | ---              | 1,260            |
| Inventory                                | 9,084                   | ---              | 9,084            |
| <b>TOTAL ASSETS</b>                      | <b>\$ 68,935</b>        | <b>\$ 8,248</b>  | <b>\$ 77,183</b> |
| <b>LIABILITIES AND FUND EQUITY</b>       |                         |                  |                  |
| <b>LIABILITIES</b>                       |                         |                  |                  |
| Due to Other Funds                       | \$ 87                   | \$ ---           | \$ 87            |
| Accounts Payable                         | ---                     | ---              | ---              |
| Accrued Salaries                         | ---                     | 3,647            | 3,647            |
| Accrued Expenses                         | 517                     | 2,101            | 2,618            |
| <b>TOTAL LIABILITIES</b>                 | <b>604</b>              | <b>5,748</b>     | <b>6,352</b>     |
| <b>FUND EQUITY</b>                       |                         |                  |                  |
| Fund Balance – Reserved for Inventory    | 9,084                   | ---              | 9,084            |
| Fund Balance – Unreserved                | 59,247                  | 2,500            | 61,747           |
| <b>TOTAL FUND EQUITY</b>                 | <b>68,331</b>           | <b>2,500</b>     | <b>70,831</b>    |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <b>\$ 68,935</b>        | <b>\$ 8,248</b>  | <b>\$ 77,183</b> |

# SHELBY PUBLIC SCHOOLS

## Special Revenue Funds

### COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

|                                  | Food Service      |                   |                            |
|----------------------------------|-------------------|-------------------|----------------------------|
|                                  | Budget            | Actual            | Favorable<br><Unfavorable> |
| <b>REVENUE</b>                   |                   |                   |                            |
| Food Services                    |                   |                   |                            |
| Hot Lunch Receipts - Students    | \$ 133,000        | \$ 133,156        | \$ 156                     |
| - Adults                         | 10,500            | 8,157             | -2,343                     |
| - Ala Carte                      | 16,000            | 20,981            | 4,981                      |
| Breakfast                        | 5,500             | 7,745             | 2,245                      |
| State Aid                        | 29,000            | 25,956            | -3,044                     |
| Federal Aid                      | 335,000           | 364,820           | 29,820                     |
| Federal USDA Commodities in Kind | 30,000            | 39,259            | 9,259                      |
| Other Income                     | 3,075             | 1,745             | -1,330                     |
| Interest Income                  | 1,500             | 1,018             | -482                       |
| Athletic Activities              |                   |                   |                            |
| Admission to Games               | ---               | ---               | ---                        |
| <b>TOTAL REVENUE</b>             | <b>563,575</b>    | <b>602,837</b>    | <b>39,262</b>              |
| <b>EXPENDITURES</b>              |                   |                   |                            |
| Salaries                         | 206,648           | 210,907           | -4,259                     |
| Fringe Benefits                  | 79,745            | 80,824            | -1,079                     |
| Professional Services            | 7,000             | 7,164             | -164                       |
| Food and Supplies                | 258,500           | 289,221           | -30,721                    |
| Travel and Conferences           | 2,500             | 1,894             | 606                        |
| Transportation                   | 1,900             | 1,200             | 700                        |
| Miscellaneous                    | 9,577             | 9,832             | -255                       |
| Repairs                          | 1,000             | 724               | 276                        |
| Utilities and Waste              | 6,400             | 6,159             | 241                        |
| Capital Outlay                   | 9,700             | 9,669             | 31                         |
| <b>TOTAL EXPENDITURES</b>        | <b>\$ 582,970</b> | <b>\$ 617,594</b> | <b>\$ -34,624</b>          |

| Athletic Activities |                   |                            | Totals (Memo Only) |                     |                            |
|---------------------|-------------------|----------------------------|--------------------|---------------------|----------------------------|
| Budget              | Actual            | Favorable<br><Unfavorable> | Budget             | Actual              | Favorable<br><Unfavorable> |
| \$ ---              | \$ ---            | \$ ---                     | \$ 133,000         | \$ 133,156          | \$ 156                     |
| ---                 | ---               | ---                        | 10,500             | 8,157               | -2,343                     |
| ---                 | ---               | ---                        | 16,000             | 20,981              | 4,981                      |
| ---                 | ---               | ---                        | 5,500              | 7,745               | 2,245                      |
| ---                 | ---               | ---                        | 29,000             | 25,956              | -3,044                     |
| ---                 | ---               | ---                        | 335,000            | 364,820             | 29,820                     |
| ---                 | ---               | ---                        | 30,000             | 39,259              | 9,259                      |
| ---                 | ---               | ---                        | 3,075              | 1,745               | -1,330                     |
| ---                 | ---               | ---                        | 1,500              | 1,018               | -482                       |
| 42,900              | 41,966            | -934                       | 42,900             | 41,966              | -934                       |
| <b>42,900</b>       | <b>41,966</b>     | <b>-934</b>                | <b>606,475</b>     | <b>644,803</b>      | <b>38,328</b>              |
| 239,709             | 253,567           | -13,858                    | 446,357            | 464,474             | -18,117                    |
| 71,637              | 72,720            | -1,083                     | 151,382            | 153,544             | -2,162                     |
| 23,405              | 23,063            | 342                        | 30,405             | 30,227              | 178                        |
| 16,275              | 15,750            | 525                        | 274,775            | 304,971             | -30,196                    |
| ---                 | ---               | ---                        | 2,500              | 1,894               | 606                        |
| 11,600              | 11,903            | -303                       | 13,500             | 13,103              | 397                        |
| 9,434               | 8,790             | 644                        | 19,011             | 18,622              | 389                        |
| 3,500               | 2,794             | 706                        | 4,500              | 3,518               | 982                        |
| ---                 | ---               | ---                        | 6,400              | 6,159               | 241                        |
| ---                 | ---               | ---                        | 9,700              | 9,669               | 31                         |
| <b>\$ 375,560</b>   | <b>\$ 388,587</b> | <b>\$ -13,027</b>          | <b>\$ 958,530</b>  | <b>\$ 1,006,181</b> | <b>\$ -47,651</b>          |

# SHELBY PUBLIC SCHOOLS

## Special Revenue Funds

### COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

|  | Food Service             |                         |                            |
|--|--------------------------|-------------------------|----------------------------|
|  | Budget                   | Actual                  | Favorable<br><Unfavorable> |
| <b>EXCESS REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>                                      | <u>\$ -19,395</u>        | <u>\$ -14,757</u>       | <u>\$ 4,638</u>            |
| <b>OTHER FINANCING SOURCES &lt;USES&gt;</b>  |                          |                         |                            |
| Operating Transfers In   | ---                      | ---                     | ---                        |
| Operating Transfers Out  | ---                      | ---                     | ---                        |
| <b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>  | <u>---</u>               | <u>---</u>              | <u>---</u>                 |
| <b>EXCESS REVENUE AND OTHER SOURCES OVER<br/>&lt;UNDER&gt; EXPENDITURES AND OTHER USES</b> | <u><u>\$ -19,395</u></u> | <u>-14,757</u>          | <u><u>\$ 4,638</u></u>     |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>  |                          | <u>83,088</u>           |                            |
| <b>FUND BALANCE - END OF YEAR</b>  |                          | <u><u>\$ 68,331</u></u> |                            |

| <u>Athletic Activities</u> |                        |  | <u>Totals (Memo Only)</u> |                         |  |
|----------------------------|------------------------|--|---------------------------|-------------------------|--|
| <u>Budget</u>              | <u>Actual</u>          | <u>Favorable<br/>&lt;Unfavorable&gt;</u> | <u>Budget</u>             | <u>Actual</u>           | <u>Favorable<br/>&lt;Unfavorable&gt;</u> |
| <u>\$ -332,660</u>         | <u>\$ -346,621</u>     | <u>\$ -13,961</u>                        | <u>\$ -352,055</u>        | <u>\$ -361,378</u>      | <u>\$ -9,323</u>                         |
| 320,000                    | 346,621                | 26,621                                   | 320,000                   | 346,621                 | 26,621                                   |
| ---                        | ---                    | ---                                      | ---                       | ---                     | ---                                      |
| <u>320,000</u>             | <u>346,621</u>         | <u>26,621</u>                            | <u>320,000</u>            | <u>346,621</u>          | <u>26,621</u>                            |
| <u><b>\$ -12,660</b></u>   | ---                    | <u><b>\$ 12,660</b></u>                  | <u><b>\$ -32,055</b></u>  | -14,757                 | <u><b>\$ -17,298</b></u>                 |
|                            | <u>2,500</u>           |  |                           | <u>85,588</u>           |  |
|                            | <u><b>\$ 2,500</b></u> |  |                           | <u><b>\$ 70,831</b></u> |  |

**DEBT RETIREMENT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2008**

|  | 1992<br>Debt  | 1998<br>Debt      | 2003<br>Debt      | Durant        | Totals              |
|--|---------------|-------------------|-------------------|---------------|---------------------|
| <b>ASSETS</b>                            |               |                   |                   |               |                     |
| Cash in Bank                             | \$ ---        | \$ 461,628        | \$ 559,595        | \$ ---        | \$ 1,021,223        |
| Due from Other Funds                     | ---           | ---               | ---               | ---           | ---                 |
| Accounts Receivable                      | ---           | ---               | ---               | ---           | ---                 |
| <b>TOTAL ASSETS</b>                      | <b>\$ ---</b> | <b>\$ 461,628</b> | <b>\$ 559,595</b> | <b>\$ ---</b> | <b>\$ 1,021,223</b> |
| <br><b>LIABILITIES AND FUND EQUITY</b>   |               |                   |                   |               |                     |
| <b>LIABILITIES</b>                       |               |                   |                   |               |                     |
| Accounts Payable                         | \$ ---        | \$ ---            | \$ ---            | \$ ---        | \$ ---              |
| Due to Other Funds                       | ---           | ---               | ---               | ---           | ---                 |
| <b>TOTAL LIABILITIES</b>                 | ---           | ---               | ---               | ---           | ---                 |
| <b>FUND EQUITY</b>                       |               |                   |                   |               |                     |
| Fund Balance                             | ---           | 461,628           | 559,595           | ---           | 1,021,223           |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <b>\$ ---</b> | <b>\$ 461,628</b> | <b>\$ 559,595</b> | <b>\$ ---</b> | <b>\$ 1,021,223</b> |

# SHELBY PUBLIC SCHOOLS

## Debt Retirement Funds

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

|  | 1992          |               | Favorable<br><Unfavorable> |
|--|---------------|---------------|----------------------------|
|  | Budget        | Actual        |                            |
| <b>REVENUE</b>   |               |               |                            |
| Current Taxes  | \$ ---        | \$ ---        | \$ ---                     |
| Delinquent Taxes   | ---           | ---           | ---                        |
| Interest and Penalties on Delinquent Property Taxes  | ---           | ---           | ---                        |
| Earned Interest  | ---           | ---           | ---                        |
| State Aid Revenue  | ---           | ---           | ---                        |
| Miscellaneous  | ---           | ---           | ---                        |
| <b>TOTAL REVENUE</b>   | ---           | ---           | ---                        |
| <b>EXPENDITURES</b>  |               |               |                            |
| Principal on Bonds   | ---           | ---           | ---                        |
| Principal on School Bond Loan Fund   | ---           | ---           | ---                        |
| Interest on Bonds  | ---           | ---           | ---                        |
| Interest on School Bond Loan Fund  | ---           | ---           | ---                        |
| Agent Fees and Other   | ---           | ---           | ---                        |
| <b>TOTAL EXPENDITURES</b>  | ---           | ---           | ---                        |
| <b>EXCESS REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>                                      | ---           | ---           | ---                        |
| <b>OTHER FINANCING SOURCES &lt;USES&gt;</b>  |               |               |                            |
| Loan Proceeds  | ---           | ---           | ---                        |
| Operating Transfers In   | ---           | ---           | ---                        |
| Operating Transfers Out  | ---           | 412           | -412                       |
| <b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>  | ---           | 412           | -412                       |
| <b>EXCESS REVENUE AND OTHER SOURCES OVER<br/>&lt;UNDER&gt; EXPENDITURES AND OTHER USES</b> | <u>\$ ---</u> | -412          | <u>\$ -412</u>             |
| FUND BALANCE - BEGINNING OF YEAR   |               | 412           |                            |
| <b>FUND BALANCE - END OF YEAR</b>  |               | <u>\$ ---</u> |                            |



# SHELBY PUBLIC SCHOOLS

## Debt Retirement Funds

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

|  | 1998             |                   | Favorable<br><Unfavorable> |
|--|------------------|-------------------|----------------------------|
|  | Budget           | Actual            |                            |
| <b>REVENUE</b>   |                  |                   |                            |
| Current Taxes  | \$ 571,545       | \$ 570,563        | \$ -982                    |
| Delinquent Taxes   | ---              | ---               | ---                        |
| Interest and Penalties on Delinquent Property Taxes                          | 145              | 178               | 33                         |
| Earned Interest  | 10,400           | 15,769            | 5,369                      |
| State Aid Revenue  | ---              | ---               | ---                        |
| Miscellaneous  | ---              | ---               | ---                        |
| <b>TOTAL REVENUE</b>   | <b>582,090</b>   | <b>586,510</b>    | <b>4,420</b>               |
| <b>EXPENDITURES</b>  |                  |                   |                            |
| Principal on Bonds   | 60,000           | 60,000            | ---                        |
| Principal on School Bond Loan Fund   | ---              | ---               | ---                        |
| Interest on Bonds  | 427,713          | 427,712           | 1                          |
| Interest on School Bond Loan Fund  | ---              | ---               | ---                        |
| Agent Fees and Other   | 455              | 385               | 70                         |
| <b>TOTAL EXPENDITURES</b>  | <b>488,168</b>   | <b>488,097</b>    | <b>71</b>                  |
| <b>EXCESS REVENUE OVER EXPENDITURES</b>                                      | <b>93,922</b>    | <b>98,413</b>     | <b>4,491</b>               |
| <b>OTHER FINANCING SOURCES &lt;USES&gt;</b>                                  |                  |                   |                            |
| Loan Proceeds  | ---              | ---               | ---                        |
| Operating Transfers In   | ---              | 412               | 412                        |
| Operating Transfers Out  | ---              | ---               | ---                        |
| <b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>                            | <b>---</b>       | <b>412</b>        | <b>412</b>                 |
| <b>EXCESS REVENUE AND OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | <b>\$ 93,922</b> | <b>98,825</b>     | <b>\$ 4,903</b>            |
| FUND BALANCE - BEGINNING OF YEAR   |                  | 362,803           |                            |
| FUND BALANCE - END OF YEAR   |                  | <b>\$ 461,628</b> |                            |

| 2003              |                   |                            | Totals            |                     |                            |
|-------------------|-------------------|----------------------------|-------------------|---------------------|----------------------------|
| Budget            | Actual            | Favorable<br><Unfavorable> | Budget            | Actual              | Favorable<br><Unfavorable> |
| \$ 745,384        | \$ 744,095        | \$ -1,289                  | \$ 1,316,929      | \$ 1,314,658        | \$ -2,271                  |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| 200               | 232               | 32                         | 345               | 410                 | 65                         |
| 16,000            | 25,264            | 9,264                      | 26,400            | 41,033              | 14,633                     |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| <b>761,584</b>    | <b>769,591</b>    | <b>8,007</b>               | <b>1,343,674</b>  | <b>1,356,101</b>    | <b>12,427</b>              |
| 605,000           | 605,000           | ---                        | 665,000           | 665,000             | ---                        |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| 30,955            | 30,955            | ---                        | 458,668           | 458,667             | ---                        |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| 455               | 346               | 109                        | 910               | 731                 | 180                        |
| <b>636,410</b>    | <b>636,301</b>    | <b>109</b>                 | <b>1,124,578</b>  | <b>1,124,398</b>    | <b>180</b>                 |
| 125,174           | 133,290           | 8,116                      | 219,096           | 231,703             | 12,607                     |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| ---               | ---               | ---                        | ---               | 412                 | 412                        |
| ---               | ---               | ---                        | ---               | -412                | -412                       |
| ---               | ---               | ---                        | ---               | ---                 | ---                        |
| <b>\$ 125,174</b> | 133,290           | <b>\$ 8,116</b>            | <b>\$ 219,096</b> | 231,703             | <b>\$ 12,607</b>           |
|                   | <u>426,305</u>    |                            |                   | <u>789,520</u>      |                            |
|                   | <b>\$ 559,595</b> |                            |                   | <b>\$ 1,021,223</b> |                            |

**AGENCY FUNDS**

**STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2008**

**ASSETS**

|                      |                          |
|----------------------|--------------------------|
| Cash in Bank         | \$ 137,356               |
| Due From Other Funds | <u>---</u>               |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 137,356</u></b> |

**LIABILITIES**

|                          |                          |
|--------------------------|--------------------------|
| Due to Other Funds       | \$ ---                   |
| Due to Others            | 13,339                   |
| Due to Student Groups    | <u>124,017</u>           |
| <b>TOTAL LIABILITIES</b> | <b><u>\$ 137,356</u></b> |

# SHELBY PUBLIC SCHOOLS

Agency Funds

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2008

|   | Balance<br>6/30/07 | Receipts          | Disbursements     | Balance<br>6/30/08 |
|---|--------------------|-------------------|-------------------|--------------------|
| <b>ASSETS</b>                                       |                    |                   |                   |                    |
| Cash  | \$ 159,300         | \$ 354,920        | \$ 376,864        | \$ 137,356         |
| Due From Other Funds                                | ---                | ---               | ---               | ---                |
| <b>TOTAL ASSETS</b>                                 | <b>\$ 159,300</b>  | <b>\$ 354,920</b> | <b>\$ 376,864</b> | <b>\$ 137,356</b>  |
| <b>LIABILITIES</b>                                  |                    |                   |                   |                    |
| DUE TO OTHER FUNDS                                  | \$ 2,524           | \$ ---            | \$ 2,524          | \$ ---             |
| DUE TO OTHERS                                       |                    |                   |                   |                    |
| School Administration Central Office Board Internal | 3,348              | 38,547            | 29,367            | 12,528             |
| New Era Internal Fund                               | 833                | 14,915            | 14,937            | 811                |
| <b>TOTAL DUE TO OTHERS</b>                          | <b>4,181</b>       | <b>53,462</b>     | <b>44,304</b>     | <b>13,339</b>      |
| DUE TO STUDENT GROUPS                               |                    |                   |                   |                    |
| High School Internal                                | 97,642             | 228,019           | 242,787           | 82,874             |
| Middle School Internal                              | 13,841             | 44,789            | 48,182            | 10,448             |
| Ferry Elementary Internal                           | 9,354              | 75                | 9,429             | ---                |
| Thomas Read Elementary Internal                     | 29,382             | 27,702            | 29,083            | 28,001             |
| Benona Elementary Internal                          | 2,376              | 873               | 555               | 2,694              |
| <b>TOTAL STUDENT GROUPS</b>                         | <b>152,595</b>     | <b>301,458</b>    | <b>330,036</b>    | <b>124,017</b>     |
| <b>TOTAL LIABILITIES</b>                            | <b>\$ 159,300</b>  | <b>\$ 354,920</b> | <b>\$ 376,864</b> | <b>\$ 137,356</b>  |

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
HIGH SCHOOL INTERNAL ACTIVITIES FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

| ACTIVITY                  | Due to<br>Student Groups |                   | Due to<br>Student Groups |                  |
|---------------------------|--------------------------|-------------------|--------------------------|------------------|
|                           | 6/30/07                  | Receipts          | Disbursements            | 6/30/08          |
| AP Book Fund              | \$ 696                   | \$ 229            | \$ 170                   | \$ 755           |
| Art Club                  | 181                      | ---               | ---                      | 181              |
| Band                      | 207                      | 12,774            | 12,974                   | 7                |
| Band Trip                 | ---                      | 26,530            | 26,530                   | ---              |
| Calculators               | 150                      | 398               | ---                      | 548              |
| Class of 2007             | 354                      | ---               | 354                      | ---              |
| Class of 2008             | 1,080                    | 669               | 1,602                    | 147              |
| Class of 2009             | 1,158                    | 4,127             | 2,451                    | 2,834            |
| Class of 2010             | 831                      | 3,154             | 1,644                    | 2,341            |
| Class of 2011             | ---                      | 2,445             | 1,950                    | 495              |
| D.E. Club                 | 5,709                    | 21,845            | 26,787                   | 767              |
| Drama Class               | 524                      | ---               | 185                      | 339              |
| Due to Others (Interest)  | 512                      | 417               | 512                      | 417              |
| Equestrian Team           | 501                      | ---               | ---                      | 501              |
| Ethnic Club               | 5                        | ---               | 5                        | ---              |
| Faculty Lounge Pop        | 346                      | 160               | 58                       | 448              |
| General Administration    | 2,869                    | 11,133            | 12,377                   | 1,625            |
| General Admin. - Athletic | 29,301                   | 88,200            | 89,026                   | 28,475           |
| General Admin. - Pop      | 10,572                   | 11,196            | 19,149                   | 2,619            |
| Honor Society             | 159                      | 730               | 860                      | 29               |
| Ind. Education            | 235                      | 2,868             | 2,799                    | 304              |
| Learn and Serve           | 154                      | 505               | 567                      | 92               |
| Library                   | 1,785                    | 1,414             | 2,693                    | 506              |
| Masque and Bauble         | 14,119                   | 1,691             | 929                      | 14,881           |
| Music Dept. Joint Acct.   | ---                      | 680               | 336                      | 344              |
| Pep Club                  | 34                       | ---               | 34                       | ---              |
| Post Prom                 | 1,461                    | 4,881             | 3,905                    | 2,437            |
| S.A.D.D.                  | 434                      | ---               | 434                      | ---              |
| S.A.F.E.                  | 433                      | ---               | 433                      | ---              |
| Science Olympiad          | 251                      | 373               | ---                      | 624              |
| Student Council           | 4,072                    | 4,275             | 6,825                    | 1,522            |
| Technology                | 473                      | ---               | 101                      | 372              |
| Tiger Bazaar              | 888                      | 1,060             | 21                       | 1,927            |
| Training Club             | 160                      | ---               | 160                      | ---              |
| Vocal Music               | 4,226                    | 12,871            | 11,844                   | 5,253            |
| Yearbook Class            | 13,762                   | 13,394            | 15,072                   | 12,084           |
| <b>TOTALS</b>             | <b>\$ 97,642</b>         | <b>\$ 228,019</b> | <b>\$ 242,787</b>        | <b>\$ 82,874</b> |

# SHELBY PUBLIC SCHOOLS

## Agency Funds

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES MIDDLE SCHOOL INTERNAL ACTIVITIES FUND

FISCAL YEAR ENDED JUNE 30, 2008

| ACTIVITY             | Due to           | Receipts         | Disbursements    | Due to           |
|----------------------|------------------|------------------|------------------|------------------|
|                      | Student Groups   |                  |                  | Student Groups   |
|                      | 6/30/07          |                  |                  | 6/30/08          |
| Athletic Department  | \$ 862           | \$ 643           | \$ 1,284         | \$ 221           |
| Band Resale          | -204             | 2,072            | 1,868            | ---              |
| Beverage Machines    | 131              | 194              | 325              | ---              |
| Cheerleaders         | 1,825            | 2,871            | 2,356            | 2,340            |
| Claw Club            | ---              | 870              | 870              | ---              |
| Eighth Grade         | 520              | 10,026           | 9,508            | 1,038            |
| Interest             | 1,713            | 1,840            | 2,163            | 1,390            |
| Library Fund         | -2,425           | 5,474            | 5,816            | -2,767           |
| Petty Cash           | ---              | 2,530            | 1,923            | 607              |
| Physical Education   | 2,437            | 6,845            | 8,143            | 1,139            |
| Seventh Grade        | 8,024            | 6,441            | 9,615            | 4,850            |
| Sixth Grade          | 958              | 512              | 250              | 1,220            |
| World's Finest Candy | ---              | 2,942            | 2,942            | ---              |
| Yearbook             | ---              | 1,529            | 1,119            | 410              |
| <b>TOTALS</b>        | <b>\$ 13,841</b> | <b>\$ 44,789</b> | <b>\$ 48,182</b> | <b>\$ 10,448</b> |

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
BENONA ELEMENTARY INTERNAL ACTIVITIES FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

| ACTIVITY      | Due to                    |               | Due to        |                           |
|---------------|---------------------------|---------------|---------------|---------------------------|
|               | Student Groups<br>6/30/07 | Receipts      | Disbursements | Student Groups<br>6/30/08 |
| 5th Grade     | \$ 102                    | \$ 353        | \$ 109        | \$ 346                    |
| 4th Grade     | 1,167                     | ---           | ---           | 1,167                     |
| 3rd Grade     | 211                       | ---           | ---           | 211                       |
| 2nd Grade     | 508                       | ---           | ---           | 508                       |
| 1st Grade     | 8                         | ---           | 8             | ---                       |
| Kindergarten  | 8                         | ---           | ---           | 8                         |
| Computer Lab  | 27                        | 58            | ---           | 85                        |
| Library       | 284                       | 71            | ---           | 355                       |
| Miscellaneous | 61                        | 391           | 438           | 14                        |
| <b>TOTALS</b> | <b>\$ 2,376</b>           | <b>\$ 873</b> | <b>\$ 555</b> | <b>\$ 2,694</b>           |

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FERRY ELEMENTARY INTERNAL ACTIVITIES FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

| ACTIVITY      | Due to                    |              | Due to          |                           |
|---------------|---------------------------|--------------|-----------------|---------------------------|
|               | Student Groups<br>6/30/07 | Receipts     | Disbursements   | Student Groups<br>6/30/08 |
| 5th Grade     | \$ 101                    | \$ ---       | \$ 101          | \$ ---                    |
| 4th Grade     | 7                         | ---          | 7               | ---                       |
| 3rd Grade     | 38                        | ---          | 38              | ---                       |
| 2nd Grade     | 3                         | ---          | 3               | ---                       |
| 1st Grade     | ---                       | ---          | ---             | ---                       |
| Kindergarten  | 79                        | ---          | 79              | ---                       |
| Library       | 20                        | ---          | 20              | ---                       |
| Miscellaneous | 2,819                     | 75           | 2,894           | ---                       |
| Scholarship   | 6,287                     | ---          | 6,287           | ---                       |
| <b>TOTALS</b> | <b>\$ 9,354</b>           | <b>\$ 75</b> | <b>\$ 9,429</b> | <b>\$ ---</b>             |

# SHELBY PUBLIC SCHOOLS

## Agency Funds

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES NEW ERA ELEMENTARY INTERNAL ACTIVITIES FUND

FISCAL YEAR ENDED JUNE 30, 2008

| ACTIVITY          | Due to Others | Receipts         | Disbursements    | Due to Others |
|-------------------|---------------|------------------|------------------|---------------|
|                   | 6/30/07       |                  |                  | 6/30/08       |
| Fund Raisers      | \$ 6,268      | \$ 11,188        | \$ 5,755         | \$ 11,701     |
| Interest          | ---           | 1                | 22               | -21           |
| Miscellaneous     | -1,730        | 3,726            | 5,864            | -3,868        |
| Teaching Supplies | -3,705        | ---              | 3,296            | -7,001        |
| <b>TOTALS</b>     | <b>\$ 833</b> | <b>\$ 14,915</b> | <b>\$ 14,937</b> | <b>\$ 811</b> |

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES THOMAS READ ELEMENTARY INTERNAL ACTIVITIES FUND

FISCAL YEAR ENDED JUNE 30, 2008

| ACTIVITY                 | Due to           | Receipts         | Disbursements    | Due to           |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | Student Groups   |                  |                  | Student Groups   |
|                          | 6/30/07          |                  |                  | 6/30/08          |
| Candy Sales              | \$ 16,429        | \$ 4,066         | \$ 5,081         | \$ 15,414        |
| Categorical Class        | 197              | 31               | 150              | 78               |
| ECC                      | 24               | 80               | 69               | 35               |
| Fish Bowl                | 165              | 50               | 75               | 140              |
| Fund Raiser              | 188              | ---              | ---              | 188              |
| Girls on the Run         | ---              | ---              | ---              | ---              |
| Interest                 | 3,340            | 1,235            | ---              | 4,575            |
| Jeans for a Cure         | 145              | 1,794            | 1,847            | 92               |
| Library                  | 902              | 4,555            | 3,400            | 2,057            |
| Miscellaneous            | 932              | 8,689            | 8,172            | 1,449            |
| Professional Development | 223              | 296              | 365              | 154              |
| PTO Projects             | 521              | 1,653            | 2,027            | 147              |
| Safety Patrol            | 17               | ---              | ---              | 17               |
| Sandy-Computer           | 953              | 381              | 328              | 1,006            |
| SL Projects              | ---              | 812              | 740              | 72               |
| Staff Fund               | 529              | 1,062            | 791              | 800              |
| Student Council          | 1,265            | 2,741            | 2,410            | 1,596            |
| Tubs                     | 3,509            | ---              | 3,464            | 45               |
| Volunteers               | 43               | 257              | 164              | 136              |
| <b>TOTALS</b>            | <b>\$ 29,382</b> | <b>\$ 27,702</b> | <b>\$ 29,083</b> | <b>\$ 28,001</b> |

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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CENTRAL OFFICE INTERNAL FUND**

**FISCAL YEAR ENDED JUNE 30, 2008**

| <b>ACTIVITY</b>    | Due to Others   |                  | Disbursements    | Due to Others    |  |
|--------------------|-----------------|------------------|------------------|------------------|--|
|                    | 6/30/07         | Receipts         |                  | 6/30/08          |  |
| Relay for Life     | \$ ---          | \$ 2,050         | \$ 2,050         | \$ ---           |  |
| Fair Share         | ---             | 1,546            | ---              | 1,546            |  |
| Miscellaneous      | -157            | 25,693           | 25,055           | 481              |  |
| Needy Children     | 2,969           | ---              | ---              | 2,969            |  |
| Scholarship        | ---             | ---              | ---              | ---              |  |
| Vending Commission | 536             | 115              | 262              | 389              |  |
| Ferry Scholarship  | ---             | 6,307            | 2,000            | 4,307            |  |
| SMS Gazebo         | ---             | 2,836            | ---              | 2,836            |  |
| <b>TOTALS</b>      | <b>\$ 3,348</b> | <b>\$ 38,547</b> | <b>\$ 29,367</b> | <b>\$ 12,528</b> |  |

**STATEMENTS OF BONDED INDEBTEDNESS**

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**Statement Of Bonded Indebtedness**

**DURANT DEBT**

|   |                         |
|---|-------------------------|
| <b>Issue Dated November 28, 1998 in the amount of</b> | <b>\$ 154,344</b>       |
| Less:   |                         |
| Bonds paid in prior years                             | 63,210                  |
| Bonds due and paid May 1, 2008                        | ---                     |
| <b>Balance outstanding – June 30, 2008</b>            | <b><u>\$ 91,134</u></b> |

Balance payable as follows:

| Year  | Rate   | Interest                | Principal               | Total                    |
|-------|--------|-------------------------|-------------------------|--------------------------|
| Prior | 4.761% | \$ 18,084               | \$ 43,899               | \$ ---                   |
| 2009  | 4.761% | 2,249                   | 8,590                   | 10,839                   |
| 2010  | 4.761% | 1,840                   | 8,998                   | 72,821                   |
| 2011  | 4.761% | 1,412                   | 9,427                   | 10,839                   |
| 2012  | 4.761% | 963                     | 9,875                   | 10,838                   |
| 2013  | 4.761% | 493                     | 10,345                  | 10,838                   |
|       |        | <b><u>\$ 25,041</u></b> | <b><u>\$ 91,134</u></b> | <b><u>\$ 116,175</u></b> |

# SHELBY PUBLIC SCHOOLS

## Statements Of Bonded Indebtedness

### 1998 REFUNDING DEBT

Issue Dated December 22, 1998 in the amount of \$ 9,845,000

Less:

Bonds paid in prior years 440,000  
Bonds due and paid May 1, 2008 55,000

**Balance outstanding – June 30, 2008** \$ 9,350,000

Balance payable as follows:

| Year | Rate  | Interest            | Principal           | Total                |
|------|-------|---------------------|---------------------|----------------------|
| 2009 | 4.20% | \$ 425,193          | \$ 145,000          | \$ 570,193           |
| 2010 | 4.25% | 419,102             | 710,000             | 1,129,102            |
| 2011 | 4.30% | 388,928             | 730,000             | 1,118,928            |
| 2012 | 4.35% | 357,537             | 750,000             | 1,107,537            |
| 2013 | 4.40% | 324,913             | 765,000             | 1,089,913            |
| 2014 | 4.50% | 291,252             | 785,000             | 1,076,252            |
| 2015 | 4.60% | 255,928             | 780,000             | 1,035,928            |
| 2016 | 4.65% | 220,047             | 775,000             | 995,047              |
| 2017 | 4.70% | 184,010             | 790,000             | 974,010              |
| 2018 | 4.80% | 146,880             | 785,000             | 931,880              |
| 2019 | 4.80% | 109,200             | 775,000             | 884,200              |
| 2020 | 4.80% | 72,000              | 750,000             | 822,000              |
| 2021 | 4.80% | 36,000              | 750,000             | 786,000              |
|      |       | <u>\$ 3,230,990</u> | <u>\$ 9,290,000</u> | <u>\$ 12,520,990</u> |

### 2003 REFUNDING DEBT

Issue Dated August 12, 2003 in the amount of \$ 2,945,000

Less:

Bonds paid in prior years 1,815,000  
Bonds due and paid May 1, 2008 605,000

**Balance outstanding – June 30, 2008** \$ 525,000

Balance payable as follows:

| Year | Rate  | Interest  | Principal  | Total      |
|------|-------|-----------|------------|------------|
| 2009 | 2.90% | \$ 15,225 | \$ 525,000 | \$ 540,225 |

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**FEDERAL FINANCIAL ASSISTANCE**

# SHELBY PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2008

| <u>Program Title</u>                        |   | <u>Federal CFDA No.</u> | <u>Contract Number</u>     | <u>Program or Award Amount</u> |
|---|---|-------------------------|----------------------------|--------------------------------|
| <u>U.S. Department of Education</u>         |   |                         |                            |                                |
| Pass Through State Department of Education: |   |                         |                            |                                |
| - Title I                                   | * | 84.010A                 | 815300708                  | \$ 419,402                     |
| - Title I                                   | * | 84.010A                 | 715300607                  | 357,129                        |
| - Migrant Education                         |   | 84.011                  | 718302007                  | 88,670                         |
| - Migrant Education                         |   | 84.011                  | 818302008                  | 95,764                         |
| - Migrant Education                         |   | 84.011                  | 818900708                  | 108,229                        |
| - Title V LEA Allocation                    |   | 84.298                  | 802500708                  | 3,410                          |
| - Title V LEA Allocation                    |   | 84.298                  | 702500607                  | 3,141                          |
| - Title 2D Technology Literacy              |   | 84.318                  | 842900708                  | 5,309                          |
| - Title IIA Improving Teacher Quality       |   | 84.367                  | 705200607                  | 110,885                        |
| - Title IIA Improving Teacher Quality       |   | 84.367                  | 805200708                  | 120,982                        |
| - Comprehensive School Reform               |   | 84.332                  | 618700607                  | 106,350                        |
| - Title III Limited English                 |   | 84.365                  | 805800708                  | 44,028                         |
| - Adult Basic Education                     |   | 84.002                  | 811208500257               | 10,600                         |
| Pass through Muskegon Area ISD              |   |                         |                            |                                |
| - Adult Basic Education                     |   | 84.002                  |                            | 16,125                         |
| - Adult Basic Education                     |   | 84.002                  |                            | 15,540                         |
| - Service Provider Self Review              |   | 84.027                  | 804400708                  | 4,500                          |
| Pass through Oceana ISD - IDEA              |   | 84.027A                 |                            | 48,000                         |
| <u>Total U.S. Department of Education</u>   |   |                         |                            |                                |
| <u>U.S. Department of Agriculture</u>       |   |                         |                            |                                |
| U.S.D.A. Food Distribution:                 |   |                         |                            |                                |
| - Entitlement Commodities                   |   | 10.550                  |                            | 37,923                         |
| - Bonus Commodities                         |   | 10.550                  |                            | 1,336                          |
| Pass Through State Department Of Education: |   |                         |                            |                                |
| - National School Lunch Program             | * | 10.555                  | 81950, 81960, 71950, 71960 | 296,477                        |
| - National School Lunch Breakfast           | * | 10.553                  | 81970, 71970               | 68,343                         |
| - Child Care Food Program                   |   | 10.558                  | 81920, 82010, 71920, 72010 | 34,719                         |
| - Summer School Food                        | * | 10.559                  | 60900,61900                | 15,144                         |
| Pass through Muskegon Area ISD              |   |                         |                            |                                |
| - Michigan Model                            |   | 10.551                  |                            | 2,639                          |
| <u>Total U.S. Department of Agriculture</u> |   |                         |                            |                                |
| *Designates a major program                 |   |                         |                            |                                |

| Prior Year<br>Expenditure | Cash/Accrued<br>or <Deferred><br>Revenue at<br>July 1, 2007 | Receipts<br>or Revenue<br>Recognized | Disbursements/<br>Expenditures | Cash/Accrued<br>or <Deferred><br>Revenue at<br>June 30, 2008 |
|---------------------------|---|--------------------------------------|--------------------------------|--|
| \$ ---                    | \$ ---  | \$ 318,850                           | \$ 334,639                     | \$ 15,789  |
| 316,128                   | -2,209  | -2,209                               | ---                            | ---  |
| 316,128                   | -2,209  | 316,641                              | 334,639                        | 15,789   |
| 22,629                    | 22,629  | 74,831                               | 52,202                         | ---  |
| ---                       | ---   | ---                                  | 6,138                          | 6,138  |
| ---                       | ---   | 107,700                              | 107,700                        | ---  |
| 22,629                    | 22,629  | 182,531                              | 166,040                        | 6,138  |
| ---                       | ---   | 3,410                                | 3,410                          | ---  |
| 2,908                     | 92  | 92                                   | ---                            | ---  |
| 2,908                     | 92  | 3,502                                | 3,410                          | ---  |
| ---                       | ---   | 5,309                                | 5,309                          | ---  |
| 101,657                   | 361   | 361                                  | ---                            | ---  |
| ---                       | ---   | 87,411                               | 90,025                         | 2,614  |
| 101,657                   | 361   | 87,772                               | 90,025                         | 2,614  |
| 95,897                    | 39  | 10,492                               | 10,453                         | ---  |
| ---                       | ---   | 26,885                               | 28,649                         | 1,764  |
| ---                       | ---   | ---                                  | 9,809                          | 9,809  |
| 16,125                    | 5,331   | 5,331                                | ---                            | ---  |
| ---                       | ---   | 15,540                               | 15,540                         | ---  |
| 16,125                    | 5,331   | 20,871                               | 25,349                         | 9,809  |
| ---                       | ---   | 4,105                                | 4,105                          | ---  |
| ---                       | 12,891  | 45,896                               | 48,000                         | 14,995   |
| 555,344                   | 39,134  | 704,004                              | 715,979                        | 51,109   |
| ---                       | ---   | 37,923                               | 37,923                         | ---  |
| ---                       | ---   | 1,336                                | 1,336                          | ---  |
| ---                       | ---   | 39,259                               | 39,259                         | ---  |
| ---                       | ---   | 296,477                              | 296,477                        | ---  |
| ---                       | ---   | 68,343                               | 68,343                         | ---  |
| ---                       | ---   | 364,820                              | 364,820                        | ---  |
| ---                       | 457   | 33,312                               | 33,456                         | 601  |
| ---                       | 5,322   | 14,360                               | 9,038                          | ---  |
| ---                       | ---   | ---                                  | 2,639                          | 2,639  |
| \$ ---                    | \$ 5,779  | \$ 451,751                           | \$ 449,212                     | \$ 3,240   |

# SHELBY PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2008

| Program Title  | Federal<br>CFDA<br>Number | Program or Award<br>Amount |
|--|---------------------------|----------------------------|
| <u>U.S. Department of Labor</u>                                    |                           |                            |
| Pass Through Muskegon County Department of Employment and Training |                           |                            |
| WIA - Dislocated Worker  | 17.260                    | \$ 148,341                 |
| WIA - Youth  | 17.259                    | 29,786                     |
| WIA - Younger Youth  | 17.259                    | 35,334                     |
| WIA - Adult  | 17.258                    | 51,090                     |
| <br>   |                           |                            |
| Labor Exchange   | 17.207                    | 36,770                     |
| Labor Exchange   | 17.207                    | 50,965                     |
| <br>   |                           |                            |
| Drug Free  | 17.246                    | 7,687                      |
| <br>   |                           |                            |
| Pass Through Ludington Mass Transit Authority                      |                           |                            |
| Federal Transit Administration Job Access Reverse Commute Program  | 20.516                    | 13,500                     |
| <u>Total U.S. Department of Labor</u>                              |                           |                            |
| <u>U.S. Department of Health and Human Services</u>                |                           |                            |
| Pass through Muskegon County                                       |                           |                            |
| Work First *   | 93.558                    | 479,228                    |
| <br>   |                           |                            |
| Pass through Michigan 4C Assoc Community Coordinated Child Care    | 93.575                    | 540                        |
| <br>   |                           |                            |
| Pass through Muskegon Area Intermediate School District            |                           |                            |
| Head Start   | 93.600                    | 290,445                    |
| Head Start   | 93.600                    | 290,445                    |
| <u>Total U.S. Department of Health and Human Services</u>          |                           |                            |
| <u>Corporation For National and Community Service</u>              |                           |                            |
| Pass through State Department of Labor and Economic Growth         |                           |                            |
| Learn and Serve  | 94.004                    | 15,000                     |
| Learn and Serve  | 94.004                    | 15,000                     |
| <u>Total Corporation for National and Community Service</u>        |                           |                            |
| <u>Total Federal Financial Assistance</u>                          |                           |                            |

\*Designates a major program

| Prior Year<br>Expenditure | Cash/Accrued<br>or <Deferred><br>Revenue at<br>July 1, 2007 | Receipts or<br>Revenue<br>Recognized | Disbursements/<br>Expenditures | Cash/Accrued<br>or <Deferred><br>Revenue at<br>June 30, 2008 |
|---------------------------|---|--------------------------------------|--------------------------------|--|
| \$ ---                    | \$ 1,685  | \$ 63,629                            | \$ 148,341                     | \$ 86,397  |
| ---                       | 3,777   | 31,937                               | 29,786                         | 1,626  |
| ---                       | 16,845  | 42,111                               | 35,334                         | 10,068   |
| ---                       | 554   | 42,212                               | 51,090                         | 9,432  |
| 36,770                    | 8,100   | 8,100                                | ---                            | ---  |
| ---                       | ---   | 43,704                               | 50,964                         | 7,260  |
| 36,770                    | 8,100   | 51,804                               | 50,964                         | 7,260  |
| ---                       | 4,719   | 4,719                                | 7,687                          | 7,687  |
| 13,500                    | 13,500  | 13,500                               | ---                            | ---  |
| 50,270                    | 49,180  | 249,912                              | 323,202                        | 122,470  |
| ---                       | 176,209   | 515,176                              | 479,228                        | 140,261  |
| ---                       | ---   | 540                                  | 540                            | ---  |
| 179,044                   | 36,471  | 147,872                              | 111,401                        | ---  |
| ---                       | ---   | 138,441                              | 174,138                        | 35,697   |
| 179,044                   | 36,471  | 286,313                              | 285,539                        | 35,697   |
| 179,044                   | 212,680   | 802,029                              | 765,307                        | 175,958  |
| ---                       | ---   | 2,444                                | 2,444                          | ---  |
| 13,094                    | 10,462  | 10,462                               | ---                            | ---  |
| 13,094                    | 10,462  | 12,906                               | 2,444                          | ---  |
|                           | <b>\$ 317,235</b>   | <b>\$ 2,220,602</b>                  | <b>\$ 2,256,144</b>            | <b>\$ 352,777</b>  |

# **SHELBY PUBLIC SCHOOLS**

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## **FOOTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2008**

### **NOTE 1 – MAJOR PROGRAMS**

There were three major programs Title I, Work First, and the Child Nutrition Cluster. Total expenditures during the year ended June 30, 2008, were \$334,639, \$479,228, and \$373,858.

### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Federal Awards was prepared using the modified accrual basis of accounting. For grants from the Departments of Education and Agriculture, revenue is recognized when the related expense is incurred. Amounts spent but not yet received at June 30, 2008 were recorded as accrued revenue. Expenditures are recorded when the expense is incurred. Grants from the Department of Labor are not expenditure driven. For these grants, revenue is recognized when the appropriate service has been performed. Amounts billed but not received by June 30, 2008 are recorded as accrued revenue. Expenditures are not reflected on the Schedule of Federal Awards for these grants.

### **NOTE 3 – ANNUAL GRANT REPORTS**

For the grants from the Departments of Education and Agriculture, management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

### **NOTE 4 – SCHEDULE PREPARATION**

Management has utilized the Grants Section Audit Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.

### **NOTE 5 – INVENTORY VALUES**

Inventory values are based on the USDA value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

# SCHEDULE OF RECONCILIATION OF REVENUE WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

**YEAR ENDED JUNE 30, 2008**

|   | Financial<br>Statement | Awards<br>Schedule  |
|---|------------------------|---------------------|
| <b>DEPARTMENT OF EDUCATION GRANTS</b>                 |                        |                     |
| GENERAL FUND  |                        |                     |
| Title I   | \$ 334,639             | \$ 334,639          |
| Migrant Education                                     | 107,700                | 107,700             |
| Migrant Summer Education                              | 58,340                 | 58,340              |
| Improving Teacher Quality                             | 90,025                 | 90,025              |
| Title V   | 3,410                  | 3,410               |
| Title III   | 28,649                 | 28,649              |
| Adult Basic Education                                 | 15,540                 | 15,540              |
| IDEA  | 48,000                 | 48,000              |
| Comprehensive School Reform                           | 10,453                 | 10,453              |
| IDEA Self Review                                      | 4,105                  | 4,105               |
| Technology Literacy                                   | 5,309                  | 5,309               |
| English Literacy                                      | 9,809                  | 9,809               |
| TOTAL   | 715,979                | 715,979             |
| <b>DEPARTMENT OF AGRICULTURE GRANTS</b>               |                        |                     |
| GENERAL FUND  |                        |                     |
| Michigan Model  | 2,639                  | 2,639               |
| Child Care Food                                       | 33,456                 | 33,456              |
| Summer School Food                                    | 9,038                  | 9,038               |
| FOOD SERVICE FUND                                     |                        |                     |
| Commodities   | 39,259                 | 39,259              |
| Federal Aid   | 364,820                | 364,820             |
| TOTAL   | 449,212                | 449,212             |
| <b>DEPARTMENT OF LABOR GRANTS</b>                     |                        |                     |
| GENERAL FUND  |                        |                     |
| Workforce Investment Act                              | 206,834                | 206,834             |
| Drug Free   | 7,687                  | 7,687               |
| Labor Exchange  | 50,964                 | 50,964              |
| WIA Younger Youth                                     | 57,717                 | 57,717              |
| TOTAL   | 323,202                | 323,202             |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>        |                        |                     |
| GENERAL FUND  |                        |                     |
| Work First  | 479,228                | 479,228             |
| Head Start  | 285,539                | 285,539             |
| 4C Schooling  | 540                    | 540                 |
| TOTAL   | 765,307                | 765,307             |
| <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b> |                        |                     |
| GENERAL FUND  |                        |                     |
| Service Learning                                      | 2,444                  | 2,444               |
| <b>GRAND TOTAL</b>                                    | <b>\$ 2,256,144</b>    | <b>\$ 2,256,144</b> |

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Shelby Public School's basic financial statements, and have issued our report thereon dated September 24, 2008. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelby Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelby Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shelby Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Shelby Public School's financial statements that is more than inconsequential will not be prevented or detected by Shelby Public School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Shelby Public School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance

As part of obtaining reasonable assurance about whether Shelby Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, PC  
Certified Public Accountant

September 24, 2008

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

Compliance

We have audited the compliance of Shelby Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Shelby Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Shelby Public School's management. Our responsibility is to express an opinion on Shelby Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shelby Public School's compliance with these requirements.

In our opinion, Shelby Public School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of Shelby Public School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelby Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Shelby Public School's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, PC  
Certified Public Accountant

September 24, 2008

# **SHELBY PUBLIC SCHOOLS**

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2008**

### **Summary of Auditor's Results**

1. The auditor issued an unqualified report on the financial statements of Shelby Public Schools.
2. The audit disclosed no noncompliance that is material to the financial statements of Shelby Public Schools.
3. The auditor issued an unqualified opinion on compliance for major programs.
4. The audit disclosed no audit findings that are required to be reported under Section 510(a).
5. Shelby Public Schools had three major programs – Title I, Work First, and the Child Nutrition Cluster.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Shelby Public Schools qualified as a low risk auditee under Section 530.

### **Findings Related to the Financial Statement**

NONE

### **Findings and Questioned Costs for Federal Awards**

NONE

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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2008**

There were no prior audit findings.

**Karl L. Drake, P.C.**  
**Certified Public Accountant**

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September 24, 2008

Board of Education  
Shelby Public Schools  
Shelby, Michigan 49455

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shelby Public Schools for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 11, 2008.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Shelby Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this fiscal year. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that

future

events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 8 to the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and

accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. The primary discussions held this year revolved around the segregation of responsibilities in the School District office. These discussions occurred in the normal course of our professional relationship, however, and our responses were not a condition to our retention.

This information is intended solely for the use of Shelby Public Schools, management of Shelby Public Schools and the Michigan Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.